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IN THE

Supreme Court of the United States

October Term, 1984

FREEDOM SAVINGS AND LOAN ASSOCIATION,

Petitioner,

v.

VERNON WAY, JR., D/B/A FREEDOM REALTY,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

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STATEMENT OF QUESTIONS INVOLVED

1. When the Trademark Trial and Appeal Board is acting in a judicial capacity and resolving disputed issues of fact properly before it which each party has had an adequate opportunity to litigate, should a Court apply collateral estoppel in a later civil action between the same parties concerning the precise issue previously adjudicated in the administrative setting and unappealed? The Eleventh Circuit and the Eighth Circuit have reached contrary conclusions with respect to this question in, respectively, the decision below and *Kemin, infra.*

2. Does a District Court violate the rule of law set by the Supreme Court in *Morgan* v. *Daniels, infra,* that a finding of confusing similarity of marks by the Patent Office must be accepted as controlling absent the contrary established by evidence, which in character and amount carries thorough conviction, when the District Court refuses to allow entry of the administrative decision or any reference to the same during trial?

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* FREEDOM SAVINGS AND LOAN ASSOCIATION is the parent of the following wholly-owned subsidiaries:
  1. FREEDOM MORTGAGE COMPANY;
  2. LIBERTY TITLE COMPANY;
  3. INDEPENDENCE INVESTMENT COMPANY;
  4. BANNER EQUITIES, INC.; and
  5. SUN BAY CORPORATION OF FLORIDA.

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VERNON WAY, JR., D/B/A FREEDOM REALTY,
Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

Petitioner, Freedom Savings and Loan Association, prays that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Eleventh Circuit, entered in the above-entitled case on April 15, 1985.

THE OPINIONS BELOW

The opinion of the District Court is reported at 583 F.Supp. 544, and the opinion of the Court of Appeals is reported at 757 F.2d 1176. Further, the ancillary decision of the Trademark Trial and Appeal Board which is asserted by Petitioner as forming the basis for collateral estoppel in the present Petition as well as the evidentiary error claimed is reported at 217 U.S.P.Q. 971. All three opinions are reproduced in full in the Appendix to this Petition.

JURISDICTION

The judgment of the Court of Appeals for the Eleventh Circuit was entered on April 15, 1985. The jurisdiction of this Court is

invoked pursuant to the provision of Title 28 U.S.C., Section 1254(1).

SUPREME COURT PRECEDENCE AND STATUTES INVOLVED

A. 15 U.S.C. §§ 1071, 1052(d) and 1063, are set forth in full (infra, Appendix D).

B. *United States* v. *Utah Construction and Mining Company*, 384 U.S. 394, 16 L.Ed. 2d 642, 86 S.Ct. 1545 (1966): This case held that when an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly before it, in which the parties have had an adequate opportunity to litigate, the administrative decision shall be held as collateral estoppel in a later civil action between the same parties involving the same disputed issue of fact.

C. *Morgan* v. *Daniels*, 153 U.S. 120, 14 S.Ct. 772, 38 L.Ed. 657 (1894): This decision held that a finding of fact by the Patent Office as to confusing similarity of marks must be accepted as controlling unless the contrary is established by evidence which in character and amount carries thorough conviction. This case makes clear that a Trademark Trial and Appeal Board decision must not only be permitted to be introduced into evidence during a later civil procedure, but must be accorded the standard of review set forth above.

STATEMENT OF THE CASE

Petitioner instituted the proceedings which led to this Petition for Certiorari by filing a Complaint in the United States District Court for the Middle District of Florida on August 16, 1982, seeking injunctive relief and damages against the Respondent for service mark infringement and dilution. Jurisdiction was properly founded in this Federal Court by virtue of 28 U.S.C. § 1338 and the doctrine of Pendent Jurisdiction. This Civil Action comprised only the most recent part of a line of events beginning on November 14, 1978, when Respondent's application for federal

registration of its service mark FREEDOM REALTY & Design was published for Opposition in the Official Gazette of the United States Patent and Trademark Office.

Petitioner filed an Opposition Proceeding against the Respondent's FREEDOM REALTY & DESIGN application. This adjudicatory proceeding before the Trademark Trial and Appeal Board of the United States Patent and Trademark Office included substantial discovery on both sides, numerous depositions, full briefing and oral argument, all spanning almost two years. Judgment was rendered for the Petitioner based upon the confusing similarity of Respondent's mark vis-a-vis Petitioner's. This judgment was rendered on August 31, 1981. *Freedom Savings and Loan Association* v. *Vernon Way*, 217 U.S.P.Q. 971 (T.T.A.B. 1981).

Respondent did not file an appeal of this judgment during the sixty day statutory appeal period set by 15 U.S.C. § 1071. Petitioner thereafter forwarded a cease and desist letter to Respondent on December 18, 1981. The present suit was instituted shortly thereafter.

The Petitioner moved for summary judgment on July 7, 1983, based upon the previous adjudicatory proceedings, lack of new evidence, and the Supreme Court's ruling in *United States* v. *Utah Construction and Mining Company*, 384 U.S. 394 (1966). Appellant's motion was denied by written order on November 21, 1983 and the trial proceeded on all issues.

Trial was held over a three day period of January 9-11, 1983. By virtue of Respondent's demand, a jury was duly impaneled prior to trial and immediately excused from the court room for certain evidentiary rulings from the court. At this time, the District Court ruled, *inter alia*, that no aspect of the earlier Patent Office proceeding would be admitted into evidence, and that no reference to it nor Respondent's attempt to register its mark nor any interaction between the parties relating to either these matters would be permitted. Petitioner's counsel was instructed to inform all its witnesses, prior to their appearance, of this ruling so that testimony could be appropriately restrained.

The District Court further indicated that any transcripts from the earlier proceeding to be submitted by Petitioner would have to be censored and not physically presented to the jury.

At the close of Petitioner's case, the Respondent moved for a directed verdict. This was denied aside from the request for dismissal of Petitioner's request for monetary relief. As only equitable claims remained for consideration, the jury was discharged and the Respondent's case was continued as a bench trial. On April 11, 1984, the District Court entered its Judgment and Order denying all relief to Petitioner and granting declaratory relief to Respondent, issuing a permanent prohibitive injunction against Petitioner. *Freedom Savings and Loan Association* v. *Vernon Way*, 583 F. Supp. 544 (M.D. Fl. 1984). Petitioner filed a Notice of Appeal on May 8, 1984 from the Judgment and Order.

Before the Eleventh Circuit Court of Appeals, the Petitioner brought several contentions of error, its two primary points being that the District Court's disposition of its Motion for Summary Judgment in view of collateral estoppel effect of the prior administrative decision was incorrect, as a matter of law, based upon *Utah Construction, supra,* and that the District Court had erred in not permitting any reference to the administrative decision and applying the wrong standard of review in light of *Morgan* v. *Daniels, supra.* The Court of Appeals, in its March 15, 1985 decision, affirmed the findings and conclusions of the District Court, stating that the errors were not "clearly erroneous," and that the portions reversed by the Circuit Court amounted to harmless error. *Freedom Savings and Loan Association* v. *Vernon Way*, 757 F.2d. 1176 (11th Cir. 1985).

The Court of Appeals expressly upheld the District Court's statement that collateral estoppel effect should not be accorded to the adjudicative decision of the Trademark Trial and Appeal Board and refused to follow the the Eighth Circuit Court of Appeals decision in *Flavor Corporation* v. *Kemin Industries, Inc.*, 493 F.2d. 275, 181 U.S.P.Q. 289 (8th Cir. 1974). The Court of Appeals also stated that the District Court had given ample consideration to the administrative decision, and that its failure to

allow introduction of the record or reference to it could not constitute error.

This Petition is directed generally to the holding of the District Court and the Court of Appeals for the Eleventh Circuit which refused to accord preclusive effect to the former administrative decision, and refused to permit reference to any aspect of the Trademark Trial and Appeal Board decision.

REASONS FOR GRANTING A WRIT

OVERVIEW

DOES A PRIOR, UNAPPEALED ADMINISTRATIVE DECISION PRECLUDE RELITIGATION OF THE SAME SUBJECT MATTER IN A LATER CIVIL ACTION BETWEEN THE SAME PARTIES?

The Eighth Circuit has held that a prior decision of the Trademark Trial and Appeal Board finding confusing similarity between two trademarks, affirmed by the Court of Customs and Patent Appeals is collateral estoppel in a later Civil Action before a United States District Court for trademark infringement where the same parties are contesting the confusing similarity of the same marks. *Flavor Corporation of America* v. *Kemin Industries, Inc.*, 493 F.2d 275, 181 U.S.P.Q. 289 (8th Cir. 1974). The Eleventh Circuit below, relying upon its earlier precedents, has declined to follow the Eighth Circuit's ruling in *Kemin*, stating that ". . . since that Ruling [*Kemin*] was based on the Article III status of the C.C.P.A., it arguably would not apply to decision of the Trademark Trial and Appeal Board."

DID THE COURT BELOW PROPERLY APPLY THE STANDARD OF REVIEW THAT THE SUPREME COURT HAS SET FORTH FOR UNAPPEALED FINDINGS OF THE TRADEMARK TRIAL AND APPEAL BOARD IN LATER CIVIL LITIGATION BETWEEN THE SAME PARTIES RELATING TO THE ISSUE OF CONFUSING SIMILARITY?

The Petitioner herein prevailed in an Opposition Proceeding against the Respondent herein at the Trademark Trial and

Appeal Board. The Trademark Trial and Appeal Board, in a full adjudicative proceeding, determined that the mark used by Respondent was confusingly similar to the mark previously used and registered by the Petitioner. The Respondent failed to appeal the administrative decision by either of the two methods permitted by statute, thereby allowing allowing the administrative decision to become final. Petitioner, after the appeal period passed, sued the Respondent for service mark infringement claiming that Respondent's mark was confusingly similar with the Petitioner's mark, and Petitioner sought to apply collateral estoppel based upon the former administrative decision in light of this Court's decision in *United States* v. *Utah Construction and Mining Company*, 384 U.S. 394, 16 L.Ed. 2d 642, 86 S.Ct. 1545 (1966). The District Court refused to accord collateral estoppel to the Trademark Trial and Appeal Board decision, determined that there was a lack of confusing similarity, and held contrary to the previous administrative proceeding.

During trial before the District Court below, the District Court judge refused to allow the introduction of any portion of the administrative decision record or any reference to the same in contradiction to this Court's ruling in *Morgan* v. *Daniels*, 153 U.S. 120, 14 S.Ct. 772, 38 L.Ed. 657 (1894), which requires that a decision as to confusing similarity of marks made by the Patent Office must be accepted as controlling unless the contrary is established by evidence which in character and amount carries thorough conviction. Because the District Court failed to allow any reference to the administrative record or introduction of the same, it *ipso dixit* failed to abide by the standard of review as set forth by this Supreme Court.

QUESTION ONE

WHEN THE TRADEMARK TRIAL AND APPEAL BOARD IS ACTING IN A JUDICIAL CAPACITY AND RESOLVING DISPUTED ISSUES OF FACT PROPERLY BEFORE IT, DURING WHICH EACH PARTY HAS HAD AN ADEQUATE OPPORTUNITY TO LITIGATE, AND

RENDERS A DECISION, SHOULD THE COURT APPLY COLLATERAL ESTOPPEL TO SUCH DECISION TO ENFORCE REPOSE IN A LATER CIVIL ACTION BETWEEN THE SAME PARTIES CONCERNING THE PRECISE ISSUE PREVIOUSLY ADJUDICATED IN THE ADMINISTRATIVE SETTING AND UNAPPEALED OR SHOULD THE COURT ACCORD NO LEGAL FINALITY TO THE DECISION OF THE TRADEMARK TRIAL AND APPEAL BOARD?

For the last forty years, Courts have consistently found situations where collateral estoppel has been given to administrative agencies' findings in subsequent Court proceedings. *See Sunshine Anthracite Coal Company* v. *Adkins*, 310 U.S. 381 (1940); *Seatrain Lines, Inc.* v. *Pennsylvania R. Co.*, 207 F.2d 255 (3d Cir. 1953); *Fairmont Aluminum Company* v. *Commissioner*, 222 F.2d 622 (4th Cir.), *cert. denied*, 350 U.S. 838 (1955), *reh. denied*, 350 U.S. 905 (1955); *Hanover Bank* v. *United States*, 285 F.2d 455 (Ct. Cl. 1961). However, it was not until the unanimous landmark decision by the Supreme Court of the United States in *United States* v. *Utah Construction and Mining Company*, 384 U.S. 394 (1966), that standard tests were set forth determining what circumstances would warrant the application of collateral estoppel to an administrative agency's earlier findings.

In *Utah Construction* the question was whether a government contractor, suing in the Court of Claims, could relitigate factual issues determined against him in prior, unappealed decisions before government contracting officials. Notwithstanding the fact that this Court did place emphasis upon the jurisdictional enabling statute, it took great pains to show that the result reached was consistent with general principles of collateral estoppel. In the Court's opinion, it was concluded that:

> ". . . occasionally Courts have used language to the effect that res judicata principles do not apply to administrative proceedings, but such language is certainly too broad. *When an administrative agency is acting in a judicial capacity and resolves disputed issues of fact properly*

> *before it which the parties have had an adequate opportunity to litigate, the Courts have not hesitated to apply res judicata, to enforce repose."* [citations omitted] [emphasis added]

Besides the required elements which are specifically set forth in *Utah Construction,* there are other well defined technical elements that have to be present before one can invoke collateral estoppel. The Trademark Trial and Appeal Board in its earlier decision between the two current parties in this litigation fulfills both the requisite technical requirements for general collateral estoppel and the specific items set forth by the Supreme Court in *Utah Construction* as to when collateral estoppel may specifically be applied in light of an earlier administrative decision.

The party seeking to invoke collateral estoppel must first demonstrate that there is an identity of issues between the earlier proceeding and the current one. Most Courts are equally predisposed to accord collateral estoppel to issues of law or fact, or to mixed questions of law and fact. See *e.g., United States Fidelity and Guaranty Company* v. *McCarthy,* 33 F.2d 7, 11 (8th Cir. 1929), *cert. denied,* 280 U.S. 590 (1929); 1B Moore's Federal Practice, ¶0.442[1](2d. Ed. 1974); Restatement of Judgments § 70 (1942).

In the present controversy, the issue that is of paramount importance, namely whether there was a likelihood of confusion between Respondent's mark, which it attempted to register and now uses, and Petitioner's common law and federally registered trade and service marks, was fully argued and litigated in the earlier administrative proceeding. The T.T.A.B. found in the earlier proceeding, *inter alia,* that:

> "The question which we must determine is whether the parties' marks, when used to identify their respective services are so similar as to be likely to cause confusion, mistake or deception within the purview of Section 2(d) of the Trademark Act.

* * * * * *

> Under these circumstances, it would be reasonable for one seeking to buy or sell property to be confused into believing that the parties performing the described real estate services under the particular marks involved herein are in some way related to each other.
>
> Decision:
>
> The opposition is sustained and application for registration is refused." *Freedom Savings and Loan Association* v. *Vernon Way*, 217 U.S.P.Q. at 973 (T.T.A.B. 1981)

The Eighth Circuit has considered whether the likelihood of confusion issue is identical in an administrative setting and in a civil action for infringement. *Flavor Corporation of America* v. *Kemin Industries, Inc.*, 493 F.2d. 275, 181 U.S.P.Q. 289 (8th Cir. 1974). In the *Kemin* case, the Court held that since the test in both an administrative cancellation proceeding under Section 2(d) of the Lanham Act, and in an infringement action under the Lanham Act Section 32, is whether the marks are sufficiently similar as to be "likely to cause confusion, or cause mistake, or to deceive," there was an identity of issues:

> "Since the fact of likelihood of confusion is singularly determinative in a cancellation proceeding and that fact is likewise one of the essential elements in an infringement action, the identity of issues requirement is met." *Kemin* 181 U.S.P.Q. at 292.

While the Eighth Circuit was dealing with an administrative agency's decision in the form of a cancellation, the opposition below was conducted before the same administrative agency applying the same statutory standard; specifically, Section 2(d) of the Lanham Act. As Appendix A and the foregoing excerpts demonstrate, the issue of confusing similarity of the marks was indeed actually and thoroughly litigated at the administrative level. This issue, furthermore, was essential to the judgment that was rendered by the Trademark Trial and Appeal Board, specifically that the mark FREEDOM REALTY and the accompanying design would be confusingly similar to the previous

registrations already in full force and effect of the Plaintiff, FREEDOM. This decision was not appealed by Respondent and became final.

The Courts in other jurisdictions have commented on the question of whether the right to register is the same as the right to use, with a different approach than that of the Eighth Circuit, while reaching the same determination. As one Court stated:

> "It is true that a Court in a trademark suit determines the right to use and the Patent Office determines the right to register, but it is also true that in determining the right to register, the Patent Office *must necessarily pass* upon the right to use," *Carling Brewing Company* v. *Phillip Morris, Inc.*, 297 F.Supp. at, 1330, 1337, 160 U.S.P.Q. at 308, (N.D. Ga. 1968) quoting *Ex Parte Crown Beverage Corp.*, 102 U.S.P.Q. 312, 314 (Commr. of Pat. 1954). (Emphasis added.)

The requirement of mutuality and identity of parties from the previous litigation is satisfied in the present situation. The parties in this suit are the same as those which litigated before the Trademark Trial and Appeal Board. Furthermore, there was participation by both sides, represented by chosen counsel:

> "Q. Now, do you recall when Mr. Petis [attorney] informed you that a Notice of Opposition had been filed?
>
> A. I don't recall the date. I recall his telling me.
>
> Q. But he definitely did tell you that it had been filed?
>
> A. Yes.
>
> Q. And you definitely did take part in that proceeding, correct?
>
> A. Yes." (Vernon Way, Jr., Deposition p. 22)

Furthermore, the evidence indicated that the defendant was fully aware of his right to appeal:

> "Q. After the decision [in the afore-mentioned opposition] was rendered that Mr. Petis [attorney] spoke to you about, did you decide to appeal or not to appeal that decision?

A. Well, when Mr. Petis talked with me, he said, you have the right to appeal. And I said, well, of course, I have to look to you for advice because you are my attorney.

And he said, I think I would just advise you not to. I said, okay.

Q. But you knew you had the right to appeal, correct?

A. Yeah. He explained that to me." (Vernon Way, Jr., Deposition pp. 19, 20)

The main policy consideration for the doctrine of collateral estoppel is judicial finality. *Southern Pacific Railroad Company* v. *The United States*, 168 U.S. 1, 49 (1897). Judicial finality not only is a necessity to preserve judicial resources and prevent endless litigation among the parties, but also promotes certainty in legal relations. *Commissioner* v. *Sunnen*, 333 U.S. 591, 597 (1948); see Markley, "Conflict in the Courts: NLRB Decisions as Res Judicata in § 303 suits," 27 *Ad. L. Rev.* 83, 87 (1975). It is this factor which pervades the rationale in *Utah Construction*.

The explicit criteria set forth by the Supreme Court in *Utah Construction* is a threefold test. In the test: (1) The agency must be acting in a judicial capacity, (2) it must resolve disputed issues of fact which are properly before it, and (3) the parties must have had an adequate opportunity to litigate those facts in the earlier proceeding. *Utah Construction* at 422.

The criteria that the administrative agency be acting in a 'judicial capacity' has been interpreted as a requirement that the agency's procedural modus operandi parallel formal adjudication. Federal Courts have recognized several factors to be essential or influential including: (1) the adequacy of agency notice to affected parties, *Groom* v. *Kawasaki Motors Corporation*, 344 F.Supp. 1000, 1002 (W.D. Okla. 1972); (2) the right to counsel both in preparation for and during an agency proceeding, *Taylor* v. *New York City Transit Authority*, 433 F. 2d 665, 667 (2nd Cir. 1970); (3) the right to subpoena witnesses, *Groom* v. *Kawasaki Motors Corporation, supra;* and (4) the right to present arguments through documentation and examination of witnesses,

Painters Dist. Council No. 38 v. Edgewood Contracting Company, 416 F. 2d 1081, 1084 (5th Cir. 1969). The Trademark Trial and Appeal Board opposition procedure below incorporated all of these requisite elements. Both sides were given adequate notice of the impending administrative proceeding, both exercised their right to counsel in preparation and during the actual proceeding, and both exercised the right to obtain depositions of any witnesses and the right to present those depositions through documentation to the agency. Furthermore, the parties exercised the right to discovery under the Federal Rules of Civil Procedure. In addition to the above, the Trademark Trial and Appeal Board utilizes a vast array of procedural safeguards which further define a true adjudication. There can be no question that a Trademark Trial and Appeal Board proceeding is an adversary proceeding with the parties having a full and fair opportunity to present issues, counterclaims, affirmative defenses, facts and evidence. The fully judicial nature of the earlier T.T.A.B. proceeding can be gleaned from the basis of the record:

> "The record consists of the pleadings, applicant's application file, status and title copies of opposer's registrations, certain of applicant's responses to opposer's discovery requests introduced by opposer under Rule 2.120(b), testimony on behalf of both parties, and opposer's response to applicant's request for admissions introduced by applicant under Rule 2.120(b). Both parties have filed briefs and were represented at the oral hearing held on this matter." *Freedom Savings and Loan Association* v. *Vernon Way,* 217 U.S.P.Q. at 972 (T.T.A.B. 1981)

The second criteria set forth in *Utah Construction,* is that the administrative agency must resolve the disputed issues of fact which are properly before it. In this regard, one must look to the jurisdictional enabling statutes which define the Trademark Trial and Appeal Board's subject jurisdiction. Though the ends of its decisions are directed towards whether or not a particular mark may be recorded on a Federal register, a necessary and major dispositive factual issue is whether or not a mark is confusingly similar to another mark in existence at the time. This is the crux

of a decision of the Trademark Trial and Appeal Board, and as such, this administrative body has a particular expertise towards that well defined factor. *Sun Drop Sales Corporation of America* v. *Seminole Flavor Company*, 159 F. Supp. 828, 116 U.S.P.Q. 341 (E.D. Tenn. 1058); *Weiner King* v. *The Weiner King Corporation*, 546 F. 2d 421, 192 U.S.P.Q. 353 (3rd Cir. 1976), *cert. den.*, 430 U.S. 916 (1977).

As succinctly stated by Anthony L. Fletcher in his article entitled "The Pestlur Case: Collateral and Estoppel Effect of CCPA and Trademark Trial and Appeal Board Decisions," 64 *TMR* 252 (1974), the Trademark Trial and Appeal Board's adherence to rules and evidence and competence within its areas of expertise far exceeds those of many administrative tribunals and his conclusion is that "under the Supreme Court's tests [*Utah Construction*], findings of the Trademark Trial and Appeal Board in interparty proceedings should apply in subsequent Court proceedings between the parties or their privies by application of collateral estoppel principles."

The last *Utah Construction* criteria which has been discussed, of whether the parties have had an adequate opportunity to litigate the facts in the earlier proceeding, goes hand in hand with the judicial framework of the Trademark Trial and Appeal Board decision. Not only is the actual proceeding of an opposition a substantial judicial operation, but after the Board's decision the losing party has the option of either appealing the Trademark Trial and Appeal Board decision to the CCPA, (now United States Court of Appeals for the Federal Circuit), or the losing party may request a trial in a Federal District Court. Title 15 U.S.C. § 1071 clearly lays out the manners by which Respondent could have appealed the T.T.A.B. decision to keep it from becoming final.

> "(a)(1) [A] . . . party to an opposition proceeding, . . . who is dissatisfied with the decision of the Commissioner or Trademark Trial and Appeal Board, may appeal to the United States Court of Customs and Patent Appeals thereby waiving his right to proceed under section 21(b) hereof [subsec. (b) of this section]: Provided, That such

appeal shall be dismissed if any adverse party to the proceeding, other than the Commissioner, shall, within twenty days after the apellant has filed notice of appeal according to section 21(a)(2) [subsec. (a) (2) of this section] hereof, files notice with the Commissioner that he elects to have all further proceedings conducted as provided in section 21(b) hereof [subsec. (b) of this section]. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under said section 21(b) [subsec. (b) of this section], in default of which the decision appealed from shall govern the further proceedings in the case.

(2) Such an appeal to the United States Court of Customs and Patent Appeals shall be taken by filing a notice of appeal with the Commissioner, within sixty days after the date of the decision appealed from or such longer time after said date as the Commissioner appoints. The notice of such appeal shall specify the party or parties taking the appeal, shall designate the decision or part thereof appealed from, and shall state that the appeal is taken to said court.

* * * * * *

(b)(1) Whenever a person authorized by section 21(a) hereof [subsec. (a) of this section] to appeal to the United States Court of Customs and Patent Appeals is dissatisfied with the decision of the Commissioner or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said Court of Customs and Patent Appeals, have remedy by a civil action if commenced within such time after such decision not less than sixty days, as the Commissioner appoints or as provided in section 21(a) [subsec. (a) of this section]. The court may adjudge that an applicant is entitled to a registration upon the application involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Commissioner to take any necessary action, upon compliance with the requirements of law."

In the present case, not only did the Respondent make a decision not to appeal the Trademark Trial and Appeal Board decision to either the CCPA or a District Court, but disregarded any and all statements made by the Trademark Trial and Appeal Board. The Respondent blatantly proceeded to continue to use the identical mark which the Trademark Trial and Appeal Board had clearly stated was confusingly similar under Section 2(d) of the Lanham Act to the Petitioner's marks in the present case.

Many cases indicate that a Trademark Trial and Appeal Board decision should be given collateral estoppel effect even though these cases deal with administrative agencies other than the Trademark Trial and Appeal Board.

The case of *Baltimore and O.R.R.* v. *New York, N.H. and H.R.R.R.*, 196 F.Supp. 724 (D.C. S.D. N.Y. 1961) involved a suit to recover per diem rental rates for use by Defendants of Plaintiff's freight cars. The defendant railroads were subscribers to an agreement for a uniform system for freight car rentals on a per diem basis, with the agreement requiring an explicit withdrawal upon three months notice. The railroads abided by the rates as charged and were bound by agreement without resubscription beyond rates fixed at the time that they were subscribed. Under a subsequent plan of organization, an agreement gave members an independent right to withdraw from the per diem agreement and to act independently. Defendants, after a notice of withdrawal, were no longer bound to pay an established rate. The *ratio decedendi* is that the Interstate Commerce Commission decision on per diem rates is a final decision for collateral estoppel purposes where there is no further petition of the Commission nor any appeal of its decision. As the Court stated therein:

> ". . . no appeal was taken by the parties from the Commission's termination of 1957 and no further petition was filed to reform the agreement or to have the Commission withdraw its approval. There is a right to appeal and no time limit * * * the decision is, however, for our present purposes final, not only because of the finding of the Commission is on the merits as a factual determination of specific

> acts peculiarly within its expertise and unlikely to be disturbed by any Court, but because the possibility of subsequent withdrawal of its approval in the event of a further proceeding would hardly be retroactive as to render unlawful conduct of Plaintiffs which having been approved, was persuaded in reliance on a lawful statutory immunity. * * * *There is no reason why the Commission's decision should not have the status of a judgment so as to come within the doctrine of collateral estoppel by judgment. There was a contested proceeding before the Commission, with decision depending upon the present issue and the present parties taking opposite sides on it. Res judicata should and does apply. Sea Train Lines* vs. *Pennsylvania Railroad Co.* 207 F.2d 255 (3d Cir. 1953)." (emphasis added)

The *B & O* case presents a situation very similar the present case. The judgment invoked as collateral estoppel was subject to a right of appeal, but that right was not taken by the defending party. As such, the Court viewed the administrative decision as binding upon the parties which had the opportunity to appeal the decision via several routes, but failed to do so. The Court also made note of the peculiar expertise of the I.C.C. in regard to rate determinations, and it is the same type and depth of expertise which is undeniably present within the Trademark Trial and Appeal Board concerning the question of whether two marks are confusingly similar to each other.

Another case on point arising from a proceeding on a motion for stay of arbitration is *Lummus Company* v. *Commonwealth Oil Refining Company*, 297 F. 2d 80 (2d Cir. 1961), *cert. denied*, 368 U.S. 986 (1962). In this case, the lower Court granted a motion for a stay of arbitration and ordered trial of certain issues of arbitratibility, and an appeal was taken with an alternative petition for mandamus to vacate the order. In speaking upon the limits of res judicata and its usages, the Court emphasized the importance of substance over form:

> ". . . the Supreme Court of Kansas noted long ago in a much cited opinion, "a growing disposition to enlarge the scope of the doctrine of *res judicata*, and to place more

> regard on the substance of the decision than on the form of proceedings," (citations omitted) * * * whether a judgment not "final" in the sense of 28 USC 1291, ought nevertheless be considered "final" in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review. "Finality" in the context here relevant may mean little more than that litigation of a particular issue has reached such a state that the Court sees no really good reason for permitting it to be litigated again."

A party's failure to exhaust its administrative appeal rights renders final an otherwise interim determination. Courts have recognized the practical importance of treating findings in such matters as final in later court proceedings. The effectiveness of an agency may well be frustrated if an agency decision is not given collateral estoppel effect against the party that fails to use the agency appeal mechanism. This view is analogous to the judicial rule that a party's failure to appeal a judgment leaves undisturbed the final effect of that judgment.

Thus, even if one accepts the questionable rationale that, perhaps, the opposition below was an "interim decision" by the Trademark Trial and Appeal Board, it must have the practical importance of being treated as a final disposition, particularly if the losing party fails to take advantage of the procedures that are readily available for appeal of the decision. To do otherwise is to completely disregard the import of the Trademark Trial and Appeal Board and cast doubt upon its basic reason for existence.

We submit that the decisions of the District Court and Court of Appeals for the Eleventh Circuit are contrary to the spirit and letter of the Supreme Court's decision in *Utah Construction, supra*, and that the Eighth Circuit's decision in *Kemin, supra*, is the more reasoned statement of law and fully consonant with this Court's ruling precedent in *Utah Construction, supra*.

QUESTION TWO

DOES A DISTRICT COURT VIOLATE THE RULE OF LAW SET BY THE SUPREME COURT IN THAT A FINDING OF CONFUSING SIMILARITY OF MARKS BY THE PATENT OFFICE MUST BE ACCEPTED AS CONTROLLING ABSENCE THE CONTRARY ESTABLISHED BY EVIDENCE, WHICH IN CHARACTER AND AMOUNT CARRIES THOROUGH CONVICTION, WHEN THE DISTRICT COURT REFUSES TO ALLOW ENTRY OF THE ADMINISTRATIVE DECISION OR ANY REFERENCE TO THE SAME DURING TRIAL?

The Supreme Court, in *Morgan* v. *Daniels*, 153 U.S. 120 (1894), established the present rule of law with respect to the import of findings by the Trademark Trial and Appeal Board when it stated that in patent and trademark cases, a finding of fact by the Patent Office as to priority of invention or confusing similarity of marks must be accepted as controlling unless the contrary is established by evidence which in character and amount carries thorough conviction. This standard has been reiterated by numerous circuits including the Fifth Circuit, whose precedents prior to 1981 formed precedence for the Eleventh Circuit. See *Aloe Cream Labratories, Inc.* v. *Texas Pharmacal Co.*, 335 F.2d 72, 74, 142 U.S.P.Q. 289, 290 (5th Cir. 1964); *Radio Corp. of America* v. *International Standard Electric Corp.*, 232 F.2d 726, 109 U.S.P.Q. 228 (3rd Cir. 1956); *American Heritage Life Insurance Co.* v. *Heritage Life Insurance Co.*, 494 F.2d 3, 10, 182 U.S.P.Q. 77 (5th Cir. 1974). This rule of law clearly does not permit the Lower Court's refusal to enter the Patent Office proceedings into evidence, nor the refusal to permit any reference to the same by the Petitioner. Ultimately, the courts below erred by their substantial failure to consider the judgment or the proceedings in the adjudicatory action at the Trademark Trial and Appeal Board.

As shall be amplified below, the admissibility of the T.T.A.B. decision was not only permitted by virtue of the Federal Rules of Evidence (F.R.E. 803(8)(A) and (C)), but such was *mandated*

by the applicable Rule of Law. The Supreme Court's statement that a finding by the Patent and Trademark Office is not to be disturbed absent "thorough conviction" to the contrary requires the admission of such an administrative judgment if the governing "thorough conviction" standard is to be employed. *Morgan* v. *Daniels, supra.* The Third Circuit in *Radio Corp., supra,* confirms that "The force of Morgan v. Daniels has been repeatedly recognized by this Court." 109 U.S.P.Q. at 229.

The admissibility of prior judgments, pleadings, and other proceedings is set forth in Rule 803(8)(A) and (8)(C) of the Federal Rules of Evidence. Administrative agencies' rulings and investigations have consistently been admitted by the Fifth Circuit and other Circuits even when the governing legal standard does not require such. Further, these administrative materials do not approach the breadth of adjudicative proceedings at the T.T.A.B. In this respect, attention is directed to the case of *Local Union 59, International Brotherhood of Electrical Workers, AFL-CIO* v. *Namco Electric, Inc.,* 653 F.2d 143 (5th Cir. 1981), where the findings of the National Labor Relations Board, set forth in a letter resulting from an investigation, were held admissible in evidence under 803(8)(C). The case is notable for its well reasoned examination of rule 803(8)(C) of the Federal Rules of Evidence.

Numerous other cases have addressed the question of whether administrative proceedings are admissible within the context of a later filed, and related, civil action. In this regard the case of *Chandler* v. *Roudebush,* 425 U.S. 840, 863 note 39 (1976) is of interest In this case the administrative findings with respect to an employment discrimination claim were held admissible in a civil action. *See also, Lloyd* v. *American Export Lines, Inc.,* 580 F.2d 1179, 1183 (3rd Cir. 1978), *cert. denied,* 439 U.S. 969 (1978) (findings in the decision and order of Coast Guard Hearing Examiner held to be admissible); *In re Plywood Antitrust Litigation,* 655 F.2d 627 (5th Cir. 1981), *reh. denied,* 663 F.2d 101 (5th Cir. 1981) (a jury case in which the Fifth Circuit found that the District Court did not err in allowing the plaintiffs to

introduce findings of an administrative law judge which had been adopted by the Federal Trade Commission in proceedings pursuant to § 5 of the FTC Act); *Litton Systems, Inc.* v. *American Telephone and Telephone Company,* 700 F.2d 785 (2d Cir. 1983) (Civil Antitrust Case where the Court upheld admission of various Federal Communications Commission decisions that found defendant's tariffs to be improper.)

Ostensibly, it appears that the Lower Court's decision relative to the T.T.A.B. proceeding was based upon the belief that such would be prejudicial to the jury. However, even during Respondent's case, after the jury had been discharged, the Court reasserted its ruling and refused to hear reargument on the issue. (App., v. IV, p. 312). Notwithstanding, the damage had already been done by full preclusion during Plaintiff's presentation.

F.R.E. 403 sets forth the criteria for excluding evidence in the light of unfair prejudice, and requires prejudice to "substantially outweigh" the probative value of the evidence submitted. The rule of law which must be followed is that *absent thorough conviction to the contrary, the T.T.A.B. decision is controlling. Aloe Creme, supra.*

The refusal to accept the T.T.A.B. decision is only the tip of the iceberg. Not only was the entire record of the T.T.A.B. proceeding banned, but so was any reference to it, or to Respondent's attempt to register FREEDOM REALTY. Petitioner, at trial, was not allowed to show when the parties began interaction with relation to the infringement claims and therefore was unable to respond to an assertion of laches. Petitioner was precluded from asking Respondent why he continued to use the mark after the T.T.A.B. decision, to show bad intent which, is one aspect to be examined in infringement actions. Petitioner was precluded from asking Respondent why his attorney specifically told him not to appeal the T.T.A.B. decision. Respondent was immune to inquiry as to whether his service mark application and Petitioner's registrations were filed in the same class of services at the Patent and Trademark Office.

Even though the T.T.A.B. proceeding was not of record, in a belated attempt to include the same, the Court mentions the T.T.A.B. decision once, in its Decision, stating ". . . the Court finds it unpersuasive." (App., v. II, p. 295). This statement only serves to confirm error. Finding the decision "unpersuasive" is far different from finding "the contrary ... established by evidence which in character and amount carries thorough conviction." *Aloe Creme, supra,* 142 U.S.P.Q. at 290; *Morgan* v. *Daniels, supra.*

This decision below is in direct conflict with the precedent of this Court.

CONCLUSION

It is axiomatic that various inquiries, of a particular technical nature, shall be directed to administrative tribunals that have a particular expertise and education in these technical fields. If these administrative tribunals are to carry out their charters, it is imperative that their decisions and proceedings be accorded the respect and judicial import which this Court has unambiguously declared in its previous rulings, *Utah Construction* and *Morgan* v. *Daniels.*

Presently there is disagreement between the Circuits with regard to the collateral estoppel effect of decisions made by the Trademark Trial and Appeal Board. Further, there is direct conflict in the decision below and this Court's Ruling in *Morgan* v. *Daniels.*

Certiorari should issue from this Court in the exercise of its supervisory jurisdiction.

Respectfully submitted,

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APPENDIX

Appendix A The Trademark Trial and Appeal Board, *Freedom Savings and Loan Association* v. *Vernon Way*, 217 U.S.P.Q. 971 (T.T.A.B. 1981).

Appendix B The U.S. District Court, *Freedom Savings and Loan Association* v. *Vernon Way*, 583 F. Supp. 544 (M.D. Fla. 1984).

Appendix C The Eleventh Court of Appeals, *Freedom Savings and Loan Association* v. *Vernon Way*, 757 F. 2d 1176 (11th Cir. 1985).

Appendix D 15 U.S.C. § 1071
15 U.S.C. § 1052(d)
15 U.S.C. § 1063

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DECISION OF THE TRADEMARK
TRIAL AND APPEAL BOARD

PATENT AND TRADEMARK OFFICE
TRADEMARK TRIAL AND APPEAL BOARD

FREEDOM FEDERAL SAVINGS AND LOAN
ASSOCIATION,

Opposer,

v.

WAY,

Applicant.

Decided August 31, 1981

Trademark opposition No. 62,210 by Freedom Federal Savings and Loan

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Association, against Vernon Way, Jr., doing business as Freedom Realty, application, Serial No. 156,919, filed Jan. 30, 1978. Opposition sustained.

Gipple & Hale, Rosslyn, Va., for Freedom Federal Savings and Loan Association.

Duckworth, Hobby, Allen & Pettis, P.A., Tampa, Fla., for Vernon Way, Jr.

Before Lefkowitz, Kera*, and Fruge, Members.

Fruge, Member.

OPINION OF THE BOARD

An application was filed by Vernon Way, Jr., d.b.a., Freedom Realty to

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*Member Kera, who resigned from Government Service before this decision was rendered, did not participate herein.

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register the mark shown below (Realty disclaimed) for real estate brokerage services. Use since December 8, 1976 was alleged.

Registration was opposed by Freedom Federal Savings and Loan Association on the ground that opposer provides financial services which include real estate services such as appraising, auctioning, buying, exchanging, financing, foreclosing, leasing, mortgaging, renting, refinancing and selling real property; that prior to applicant's claimed date of first use, opposer's services have been identified by the mark "FREEDOM" alone or in combination with other words; that

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opposer is the owner of registrations for "FREEDOM FEDERAL"[1] and "FREEDOM FEDERAL" and design[2] for banking services; "FREEDOM CARD"[3] for banking services, namely, 24 hour deposit and withdrawal services, savings accounts and deposits and withdrawals by telephone, mortgage loan payments and direct deposits; "FREEDOM ACCOUNT"[4] for banking services, namely, statement savings, deposit and withdrawal services, mortgage loan payments, direct deposit of government checks, services for traveler checks, money orders and check cashing; and

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[1] Reg. No. 1,034,458, issued February 24, 1976.

[2] Reg. No. 1,024,311, issued November 4, 1975.

[3] Reg. No. 1,024,312, issued November 4, 1975.

[4] Reg. No. 1,049,813, issued October 5, 1976.

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"FREEDOM"[5] for savings and loan association services; that applicant's mark is barred registration under Section 2(a) since it consists of or comprises matter which may falsely suggest a connection with opposer; and that it is further barred registration under Section 2(d) because it so resembles opposer's marks as to be likely to cause confusion, or mistake or to deceive.

Applicant admitted opposer's ownership of the cited registrations and that it had not used its own mark prior to its alleged date of first use but denied the remaining allegations.

The record consists of the pleadings, applicant's application file,

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[5]Reg. No. 1,110,660, issued January 2, 1979.

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status and title copies of opposer's registrations, certain of applicant's responses to opposer's discovery requests introduced by opposer under Rule 2.120(b), testimony on behalf of both parties, and opposer's response to applicant's request for admissions introduced by applicant under Rule 2.120(b). Both parties have filed briefs and were represented at the oral hearing held on this matter.

Opposer is a savings and loan association, chartered by the Federal Government, engaged in the usual financial and banking services of such an organization. Although we are not sure of the date of first use of the "FREEDOM" as an indentification of opposer's services, Mr. Canady has testified that he began his employment with Freedom

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Federal in 1972. As part of its activities, opposer provides certain services related to real estate transactions under the designation, "FREEDOM MORTGAGE". In addition to its "FREEDOM MORTGAGE" designation, other services are performed by opposer under the marks, "FREEDOM CARD", "FREEDOM PLAN", "FREEDOM ACCOUNT" and "FREEDOM MACHINE". Another of opposer's witnesses testified that, as part of its real estate services, opposer provides mortgage financing for individuals or businesses, does appraisals, either with its own in-house appraiser or arranges for others to do them for purchasers or sellers of real estate, leases property, has been involved in foreclosures on real property, monitors escrow accounts, and acts as agents for persons who wish to

buy mortgages as an investment. Opposer's main office is in Florida but it also transacts business in a number of other states. There are 24 offices in Florida, 10 of them in the Tampa area, which is in Hillsborough County.

Opposer advertises through newspapers, television, radio, by direct mail brochures, on signs and through giveaways. Opposer's media related budget for 1974 through 1979 was in the range of $500,000 yearly.[6] Typical advertisements included in opposer's exhibits emphasize the home loan aspect of "FREEDOM" services such as "finding the right home loan", "We bring homes and

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[6]The advertising figures given were for the full range of opposer's services and there was no further breakdown into various individual services.

people together"; "FREEDOM is a home of your own". Among opposer's exhibits are copies of documents and forms, all of which bear the "FREEDOM FEDERAL" mark, which are obviously used in its home loan business, i.e., settlement information forms, partial release of mortgage forms, assumption agreement forms, rider to condominium agreement forms, construction loan agreement forms and escrow agreement forms.

Applicant is a real estate broker who started business as "FREEDOM REALTY" on December 8, 1976 and is a member of the Florida State Board of Realtors. Applicant listed his services (or the services of a real estate broker) as, advertising of rental property listings, buying, renting, appraising, selling, auctioning, leasing and exchanging

property. Applicant's main office is in Tampa, Florida and he conducts a large portion of his business in Hillsborough County. In the performance of his brokerage services, applicant assists clients to obtain financing by either sending a client to a savings and loan association or putting him or her in touch with a mortgage broker. One of the savings and loan companies used by applicant is opposer, Freedom Federal. Applicant dealt with Freedom Federal exclusively for a time.

Opposer's claim of damage is grounded on its prior use of the mark "FREEDOM" which it has used in a number of combination marks beginning with "FREEDOM FEDERAL" on its various services in the field of banking and finance. Opposer's priority is established by the

record it has produced but is, in any event, not an issue which we need to consider in view of its ownership of registrations for its various "FREEDOM" marks. See: Section 7(b) of the Trademark Act of 1946 and American Throwing Company, Inc. v. Famous Bathrobe Company, Inc., 116 USPQ 156 (CCPA 1957).

The question which we must determine is whether the parties' marks, when used to identify their respective services are so similar as to be likely to cause confusion, mistake or deception within the purview of Section 2(d) of the Trademark Act.[7]

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[7]Opposer has urged additionally that registration to applicant is barred by Section 2(a) as well as Section 2(d). With regard thereto, it is well settled that if an opposer cannot prove a case under Section 2(d), it cannot succeed under Section 2(a). On the other hand,

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Turning first to the marks, we find that both parties use the word "FREEDOM" in combination with descriptive terminology. Additionally, applicant's mark contains a design comprised of what is described in the application as an eagle/crest design. The marks, of course, must be considered in their entireties but even so would have an unmistakeably similar connotation since, particularly in the United States, an eagle/crest design has a natural affinity to the word "FREEDOM". Thus, the design in this case is not believed to be so distinctive as to aid in differentiating

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if opposer is successful in establishing a 2(d) case, there would be no need to press a claim based on Section 2(a). See: CCI Corporation v. Continental Communications, Inc., 184 USPQ 445 (TTAB 1974) and cases cited therein.

between these marks to the extent necessary to avoid their being confused if they were to be encountered on the same or substantially similar goods or services. This is particularly so where, as here, the marks would not be encountered in a side-by-side display but would require that one depend on one's recollection of a previously encountered mark for comparison.

This brings us to a consideration of the services. Applicant is performing real estate services under its mark and maintains, as its primary contention, that opposer performs a very distinct service from its own and one with which its own cannot be confused inasmuch as only a broker licensed by the state may perform the specific services of a real estate broker. A fortiori, since opposer

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is not a licensed broker it cannot perform the services which applicant offers. Specifically, applicant notes, and opposer admits, that opposer cannot by law, receive compensation for real estate brokerage services. However, valid as that connection may be, the question here is not whether the applicant and the opposer are performing the identical services but whether members of the public who are being served might believe that there is a relationship between the services performed by these parties such that it might be assumed, in view of the similarity in the marks, that those services emanate from or are in some way associated with a single source. Proving such a relationship is the burden which falls upon opposer.

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Opposer has shown that in its banking business it performs the usual banking services in which are included financing of mortgages and other services related thereto. Those related services according to opposer's exhibits, encompass settlements, appraisals, escrows, assumptions and foreclosures. These are all services which pertain in some way to real estate transactions. While one does not expect a financial institution to engage in brokerage services or a real estate broker to provide mortgages, these are, nevertheless, services which go hand-in-glove. Indeed, a broker often selects one or two such financial institutions to which to direct its clients for financing, in this way insuring a reliable source of funds when necessary.

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In fact, applicant has testified that he has used opposer's mortgage services for his clients and at one time used "FREEDOM MORTGAGE" exclusively. Opposer has argued, and quite properly, we think, that when a buyer and a seller meet for settlement, signing contracts, passing checks, reading settlement sheets, checking titles, and examining deeds they are not quite sure which party is actually performing what portion of the transaction.

Under these circumstances, it would be reasonable for one seeking to buy or sell property to be confused into believing that the parties performing the described real estate services under the particular marks involved herein are in some way related to each other.

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DECISION

The opposition is sustained and registration to applicant is refused.

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DECISION OF THE UNITED STATES DISTRICT COURT FOR THE MIDDLE DISTRICT OF FLORIDA

DISTRICT COURT, M.D. FLORIDA

NO. 82-887

FREEDOM FEDERAL SAVINGS AND LOAN ASSOCIATION,

Plaintiff,

v.

WAY,

Defendant.

Decided April 10, 1984

Action by Freedom Savings and Loan Association, against Vernon Way, Jr.,

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doing business as Freedom Realty, for trademark and service mark infringement, unfair competition and trademark dilution, in which defendant counterclaims for declaration of common law service mark rights. Judgment for defendant.

Rick B. Levinson, Nancy G. Farage, Levine, Freedman, Hirch & Levinson, P.A., all of Tampa, Fla., for defendant.

John S. Hale, and Gipple & Hale, both of McLean, Va., and G. Donovan Conwell, and Fowler, White, Gillen, Boggs, Villareal & Banker, P.A., both of Tampa, Fla., for plaintiff.

Before CASTAGNA, District Judge.

OPINION

After a three day trial, the parties

have submitted post-trial memoranda and proposed findings. Based on the evidence and testimony produced at trial and the arguments of counsel, the Court makes the following findings of fact and conclusions of law.

1). Historical Background of the Dispute

Plaintiff Freedom Federal Savings and Loan Association ("Freedom Savings") is a full service financial institution which has existed under various names since 1930. Freedom Savings is currently a corporation organized under the laws of Florida and has its main place of business in Tampa. It offers a full range of financial services throughout Florida and other parts of the nation.

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In 1974, Freedom Savings was known as First Federal of Tampa. During a period of expansion, this earlier incarnation of Freedom Savings had acquired several other savings and loan associations in Florida. Because these purchases expanded operations, Freedom's predecessor decided to remove the geographic designation from its name. Upon recommendation from an advertising agency, the savings and loan promoted a public contest to select a new name more appropriate for a wide ranging enterprise. This advertising agency reviewed all names submitted during the contest, and eliminated those having any reference to place names or fauna. In consideration, "of the public's apparent deep appreciation of God and country," the advertising firm recommended that the

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Board of Directors change the name to Freedom Savings and Loan.

After October 1974, plaintiff embarked on an extensive advertising and promotional program to inform the public of its new name. In conjunction with the promotion campaign, plaintiff registered the mark "Freedom" as a trade and service mark[1]. Since changing its name and obtaining federal registration on its various marks, plaintiff has spent considerable sums of money in presenting the name "Freedom" to the general public. As it had since its inception, plaintiff

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[1]Plaintiff obtained registration for the mark "Freedom Federal" and its accompanying logo for its "Freedom Card," "Freedom Account," "Freedom Machine," "Freedom Mortgage," "Freedom Planner" and other marks relating to its savings and loan operations. The first registrations occurred in November of 1975 while others were registered as late as June of 1981.

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continued to provide financial services in the Tampa area, including Hillsborough, Pinellas and surrounding counties.

Around November of 1976, Defendant Vernon Way, Jr. opened his real estate brokerage in Hillsborough County under the name Freedom Realty. Although Mr. Way knew of Freedom Savings and Loan Association when he selected the name for his realty service, he felt he could use the word "Freedom" because the savings and loan was not in the real estate business. He described his reasons for naming the brokerage. "We were in the bicentennial year, Mr. Levinson, and my thoughts ran towards America, the flag, our country, and one of the freedoms of this country is owning your own home. And the word realty means real estate. I

chose the name Freedom Realty." At almost the same time that plaintiff was applying for some of its federal service marks, defendant was complying with Florida laws for registering Freedom Realty as a fictitious trade name.[2] While on a smaller scale, defendant, like plaintiff, has expended considerable sums of money in advertising his business name.

Shortly after opening for business, plaintiff's representatives approached

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[2]Defendant began publishing notices in accordance with Fla.Stat. §865.09 on November 12, 1976. Until that date, plaintiff had obtained registration of "Freedom Federal and Design," its "Freedom Card" and design, the mark "Freedom Federal" and a mark for the "Freedom Account." It was not until December 7, 1976 that plaintiff applied for registration of the mark "Freedom" standing alone. This mark for just the word "Freedom" was not officially registered until January 2, 1979.

defendant almost daily attempting to solicit business from his real estate customers. Like many financial institutions, plaintiff wanted real estate agents and brokers to refer potential borrowers to Freedom Federal. One of the Freedom Federal employees who visited defendant's offices in the beginning was Rudy Canady. He and other Freedom Federal employees continued to solicit business from defendant and would periodically distribute promotional items such as cups or pens. The direct contact between defendant and plaintiff continued in 1979 when Mr. Way purchased the Tampa office in which his business is currently located. In buying the office, defendant had to assume a mortgage loan held by plaintiff, Freedom Federal. The loan officer verified that the assumption was

in the name of Freedom Realty, and that mortgage assumption was still in effect as of the date of the trial in this case.

While defendant's real estate business was growing, plaintiff went through more changes. In May of 1980, Freedom Savings changed from federal to state regulation. This change allowed plaintiff to expand into a large number of areas which had been prohibited under laws regulating federally chartered banks. After becoming a state regulated institution, plaintiff purchased a mortgage title company, an investment firm and also bought all of the stock in a real estate brokerage. That brokerage, currently called Sun Bay Realty, Inc. was a desirable addition to plaintiff's

growing stable of organizations related to the flagship savings and loan.[3] During the period that defendant's business was growing and plaintiff's employees continued their solicitations, plaintiff never complained of defendant's use of the word "Freedom." Defendant continued contact with plaintiff and its newly purchased subsidiaries, and even sold houses in conjunction with plaintiff's subsidiary, Sun Bay Realty. When defendant attempted to obtain federal registration for the name Freedom Realty, plaintiff objected to the

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[3]Plaintiff's president and chief executive officer testified that before becoming a state regulated institution, he had considered purchasing a real estate brokerage. Serious consideration of expanding into this business did not occur until after plaintiff became aware of all its new options under the state laws.

application. A hearing was held before the Trademark Trials and Appeals Board (TTAB) on December 6, 1980. Prior to this hearing, plaintiff never directly objected to defendant's use of the name Freedom Realty. While the case was pending before the TTAB, a member of plaintiff's legal office paid a visit to defendant. That representative, Robert Grotke, asked if defendant would sell his office, the rights to the name Freedom Realty, the rights to the Freedom Eagle associated with defendant's name or a sale of everything defendant had pertaining to the word Freedom. Mr. Grotke stated that he was simply trying to get a "feel" for defendant's position and asked if Mr. Way would be willing to meet other Freedom Savings officials at their headquarters. Although defendant

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Way agreed to come downtown, he heard no more from plaintiff. Shortly after the visit from Grotke, the TTAB issued its decision denying defendant's application to register the mark "Freedom Realty." Freedom Savings and Loan Association v. Way, 217 USPQ 971 (T.T.A.B. 1981). Following the usual cease and desist letter, this suit was filed for infringement, unfair trade practices and dilution of a registered mark.

2) Comparison of the Parties Business and Marks

Plaintiff and defendant both use the word "Freedom" prominently within their business names. Plaintiff often uses its logo in association with the word "Freedom." That logo is a red, banner-like emblem which plaintiff uses with and

without the word "Freedom." Defendant, on the other hand, uses the word "Freedom" only in conjunction with the word "Realty."[4] Defendant's name is often accompanied by an eagle and crest design. The Court finds that from a mere visual examination, the two marks are not confusing.

Both parties use their respective name, logos, marks and designs in the same geographic location. While plaintiff's operations are more extensive, defendant engages in business solely in Hillsborough and adjacent counties in central Florida. Within this area of common operations, several other

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[4]Since some time in 1981, defendant has operated under the name "Vernon Way's Freedom Realty, Independently Owned and Operated."

businesses use the word "freedom" in the names.[5] One of these other businesses is Freedom Realty of Pinellas, Inc. which has been in operation since November 17, 1980. Plaintiff has never complained about this use of the word "Freedom" even though Freedom Realty of Pinellas also refers customers to plaintiff.

Until it purchased Sun Bay Realty, Inc. in 1981, plaintiff did not engage in the real estate brokerage business. As a savings and loan institution, it did have substantial contact with real estate financing, closings, appraisals, foreclosures and other matters related to real estate transactions. Plaintiff also

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[5]Plaintiff's president indicated that they had concluded litigation with an entity known as Freedom Financial Services, a subsidiary of Mellon Banks.

invested in real estate and rented some properties it had built or purchased. Defendant, on the other hand, engages in the activity most commonly associated with a real estate broker, matching a willing seller with prospective purchasers for a fee. In 1980, plaintiff's vice-president for specialized lending concluded that there was no overlap between the services provided by plaintiff and services provided by a real estate brokerage. The Court finds that until plaintiff bought Sun Bay Realty, it did not compete with or provide the same services as defendant, even though both parties operated in the same geographic area.

It is clear that many customers use both plaintiff and defendant's services. This is true both before and after

plaintiff acquired its own real estate brokerage. While the customers are the same, the facilities in which plaintiff and defendant provide their services are markedly different. Most of plaintiff's offices are financial institutions, replete with tellers and cashiers in a modern atmosphere. Defendant, on the other hand, operates his real estate brokerage and school from an older home which has been converted to office use. Although they operate from different physical settings, plaintiff and defendant use similar means in attracting customers. Both advertise in local newspapers, on radio and by use of printed signs.

The Court finds that defendant Vernon Way, Jr. did not intend to capitalize on plaintiff's reputation when

he selected his business name in 1976. Instead, he thought he could use the word "Freedom" because he was in a different business than the savings and loan institution. The Court finds that there is no credible evidence of actual confusion amongst plaintiff's customers. Defendant showed that no person involved in the day-to-day operation of real estate brokering, financing or title servicing had heard of a single instance of customer confusion. Plaintiff presented two discrete pieces of evidence purportedly showing actual confusion. Plaintiff's president stated that some of his friends had asked if defendant's real estate business belonged to plaintiff. These reports were never substantiated, nor was there any showing that these "friends" were potential customers

confused by the similar names. As a second attempt at proving actual confusion, plaintiff introduced portions of Rudy Canady's deposition. Canady testified at deposition that he called on many real estate companies in the course of his duties for Freedom Savings. During one such call to defendant's office, Canady claimed that defendant Way said that a potential lister thought Freedom Savings and Freedom Realty were related. Vernon Way emphatically denied he ever made that statement. He testified that he had a poor relationship with Canady, and had eventually thrown him out of the office for making advances on the Freedom Realty secretary. In light of this altercation, the Court's ability to assess Mr. Way's credibility and the fact that Canady's credibility

could not be assessed, this is not enough credible evidence to show actual confusion.

In summary, the Court finds that plaintiff and defendant co-existed for at least three years, if not longer, both parties using the word "Freedom" in their business names. Plaintiff had registered the word "Freedom" in conjunction with its savings and loan operations by the time defendant opened his business. However, plaintiff did not have a registered mark in the word "Freedom" itself until 1979. Despite constant contact with and knowledge of defendant's business, plaintiff was apparently unconcerned about defendant until he tried to register the mark "Freedom Realty." Even after defendant attempted to register his mark, plaintiff did not

try to prevent any supposed infringement of its mark until after defendant had refused to sell his real estate business or his rights in the name Freedom-Realty.

CONCLUSIONS OF LAW

Plaintiff filed this suit seeking relief under three distinct legal theories. It complained of infringement of services and trade marks, under 15 U.S.C. §§1116, 1117 and 1118. Plaintiff also alleged that defendant engaged in unfair competition under 15 U.S.C. §1125(a). Third, plaintiff brought a pendent state claim for dilution of its service mark under Fla.Stat. §495.-151. Defendant counterclaimed, asking for a declaratory judgment granting him a common law right to the name Freedom

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Realty, requesting a permanent injunction enjoining plaintiff from doing business as Freedom Realty, and praying for damages and attorneys fees. The Court has jurisdiction to hear these claims and counterclaims under 28 U.S.C. §§1338, 1391 and the doctrine of pendent jurisdiction.

1). Plaintiff's Infringement Claim

The essential question in resolving this claim is whether there is a "likelihood of confusion" concerning the identity or association between plaintiff and defendant due to their common use of the word "Freedom" 15 U.S.C. §1114(1); Sun Banks of Florida v. Sun Federal Savings & Loan, 651 F.2d 311, 314, 211 USPQ 844, 847 (5th Cir. 1981). After visiting this key issue, the Court must

decide if the doctrine of "expansion" has relevance to this case, and whether plaintiff's claim is barred by laches.

(a) Likelihood of Confusion. It is well settled that the following seven factors must be assessed to determine whether there is a likelihood of confusion between plaintiff's and defendant's use of the word "Freedom"; the similarity of design, similarity of the product, the type of mark at issue, identity of customers, similarity of advertising media, defendant's intent and actual confusion. Citibank, N.A. v. Citibanc Group, Inc., 724 F.2d 1540, 222 USPQ 292 (11th Cir. 1984); Safeway Stores, Inc. v. Safeway Discount Drugs, 675 F.2d 1160, 1164, 216 USPQ 599, 602 (11th Cir. 1982); Roto-Rooter Corporation v. O'Neal, 513 F.2d 44, 186 USPQ 73 (5th

Cir. 1975). While plaintiff's marks are presumed to be valid under the Lanham Act, this presumption is immaterial to the determination of likelihood of confusion. Citibank, N.A. v. Citibanc Group, Inc., supra; American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619, 136 USPQ 286 (5th Cir. 1963).

Similarity of Design--Use of a common word in two different marks does not automatically dictate a conclusion that the two entities are connected. Sun Banks, supra, at 317, 211 USPQ at 850. Instead of individual features, the Court must look to the total effect of the design. Id. Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 260-61, 205 USPQ 969, 976 (5th Cir. 1980) cert. denied 449 U.S. 899, 208 USPQ 464 (1980). As explained in the findings of fact

above, nothing is similar between plaintiff's and defendant's designations except the word "Freedom." The accompanying design, logo and lettering of the word "Freedom" all suggest no connection. Furthermore, defendant uses the word "Realty" at all times in his advertising.[6]

Similarity of Product--Until it became a state regulated thrift institution in 1980, plaintiff engaged solely in financial activities associated with its savings and loan operations. Since becoming a state institution, plaintiff has branched out into real

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[6]The proof at trial showed that defendant also operates a school for training real estate personnel called the Freedom Academy. The complaint does not take issue with this use of the word "Freedom ."

estate investments, financing, leasing, construction and title insurance under the name "Freedom." While it now engages in real estate brokerage services, it does so under the name Sun Bay Realty, a name associated with at least two other major financial institutions in Florida. See, Sun Banks, supra. Until 1980, plaintiff and defendant most definitely did not offer the same services to the public, even though their operations were complementary to each other. Since plaintiff acquired Sun Bay Realty, there still is no similarity of services between defendant's business and plaintiff's operations done under the word "Freedom." Only defendant is licensed to operate a real estate brokerage using the word "Freedom."

Type of Mark--The courts and

commentators have erected classifications for trade and service marks which, while well defined, are often difficult to apply. See Citibank, N.A. v. Citibanc Group, Inc., supra. (Vance, J. dissenting); Vision Center v. Opticks, Inc. 596 F.2d 111, 115, 202 USPQ 333, 338 (5th Cir. 1979) cert. denied 444 U.S. 1016, 204 USPQ 696 (1980). There are four basic categories: (1) Arbritrary and fanciful terms such as "Kodak" bear no relationship to the product or service with which they are related. These marks are given the widest ambit of protection, (2) Descriptive marks identify a characteristic or quality of an article or service, for example, its color, odor, functions, dimensions or ingredients. These descriptive marks are protected if they have acquired a secondary meaning,

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(3) Suggestive terms do not actually describe characteristics of goods or services. Instead, these items only hint at the characteristics of the goods are services, and require the consumer to exercise his or her imagination as to the nature of the product or service. An example of a suggestive term is the word Penguin when used as a mark for refrigerators. Suggestive marks are protected without any proof of secondary meaning, (4) Generic terms refer to a particular class of goods or services of which the individual article or service is but a member. A generic term such as "butter" can never become a trademark. See generally Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178, 1183-4 (5th Cir. 1980).

Plaintiff contends that the term

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"Freedom" is a mark that comes within the arbitrary and fanciful category. As such, it would be called a "strong" mark, and thereby widely protected. See Amstar Corp. v. Dominos Pizza, Inc., 615 F.2d 252, 259 (5th Cir. 1980). However, the term "Freedom" is not a coined or fanciful word, such as "Exxon" or "Kodak." Id. The evidence revealed that this term was not chosen in an arbitrary fashion. Instead, plaintiff's Board of Directors selected their new name after being told that the term "Freedom" reflected the public's deep appreciation for this Nation and the rights for which it stands. The Court concludes that plaintiff's mark was suggestive and

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[7]Because the mark is suggestive, there is no need to determine secondary meaning.

therefore entitled to relatively weak protection. Sun Bank, supra at 315.[7]

Identity of Customers--As noted in the findings of fact, at plaintiff's suggestion defendant steered many real estate clients to Freedom Savings for financing. Other than this symbiotic relationship, there is no indication that any customers of a business using the name Freedom in plaintiff's organization also use defendant's real estate brokerage.

Similarity of Advertising Media--While plaintiff's advertising is much more substantial and in larger-circulation papers, both parties advertise their services in similar media of communication. However, defendant does advertise in ways different than plaintiff, using a small newsletter,

making personal contacts and leaving handouts and flyers at shopping centers. On the whole, there is only a slight similarity when comparing the parties advertising campaigns. See Exxon Corporation v. Texas Motor Exchange of Houston, 628 F.2d 500, 506, 208 USPQ 384, 388-89 (5th Cir. 1980).

Defendant's Intent--Bad faith use of a protected mark by itself "may be sufficient to justify the inference that there is confusing similarity." Amstar Corporation, Inc. v. Domino's Pizza, Inc., supra at 263, 205 USPQ at 978, quoting Restatement of Torts §729, comment (f)(1938). If a defendant uses methods in an attempt to "pass off" his goods as those of plaintiff's, courts will usually find bad faith. Id., Kentucky Fried Chicken Corporation v.

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Diversified Packaging Corporation, 549 F.2d 368, 382-83, 193 USPQ 649, 662-63 (5th Cir. 1977). Plaintiff presented no such evidence of bad faith. On the contrary, when defendant became aware that plaintiff was challenging his use of the word "Freedom" he changed his name to further distinguish it from plaintiff's mark.

Actual Confusion--As stated above, the Court finds no credible evidence of actual confusion. While such a finding does not necessarily preclude a conclusion that confusion was likely, actual confusion is nevertheless the best evidence a plaintiff can present. Roto-Rooter Corporation v. O'Neal, supra at 46. The evidence at trial showed that both customers and persons working in real estate, title, mortgage financing

and associated businesses were not confused by the fact that both plaintiff and defendant used the word "Freedom."

After a serial review of the relevant legal criteria, the Court concludes as a matter of fact and law that there is no likelihood of confusion between plaintiff's registered marks and defendant's business name.[8] Therefore, plaintiff cannot prevail on its infringement claim.

(b) Doctrine of Expansion. When a trade or service mark owner shows an intention to expand into other geographic areas, the protection of the Lanham Act

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[8]The TTAB came to the opposite conclusion on this issue. The decision of that tribunal was not admitted during plaintiff's case in chief because it would have been overly prejudicial. Since the case was converted to a bench trial after the close of plaintiff's

runs to those areas as well. See American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619, 626, 136 USPQ 286, 291-92 (5th Cir. 1963); Dawn Donut Company v. Hart's Food Stores, 267 F.2d 358, 121 USPQ 430 (2d Cir. 1959). This expansion doctrine allows growth not only in new geographic areas, but also allows extension of a mark to new wares which may be the natural outgrowth of the trade-mark products. Artcraft Novelties

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presentation, it could have been admitted into evidence. Nevertheless, the Court abides by its ruling in denying plaintiff's motion for summary judgment. The TTAB decision is "entitled to the most respectful consideration," but does not collaterally estop relitigation of this issue. Carling Brewing Co., Inc. v. Philip Morris, Inc., 277 F.Supp. 326, 333, 156 USPQ 70, 75 (N.D. Ga. 1967). While the Court has considered the TTAB's decision, it is still unpersuaded that there is a likelihood of confusion, especially when measured by the seven criteria used in this Circuit.

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v. Baxter Lane Company of Amarillo, 685 F.2d 988, 990, 216 USPQ 654, 655-56 (5th Cir. 1982) citing Stardust, Inc. v. Weiss, 79 F.Supp. 274, 278, 79 USPQ 162, 164-65 (S.D.N.Y. 1948). This principle does not help plaintiff in this case. First, it is defendant and not plaintiff who first used the word "Freedom" in conjunction with a real estate brokerage. Second, plaintiff was not able to expand into this area before it became a state thrift institution in May of 1980. Therefore, this was not "natural area of expansion" for most of the time plaintiff owned its registered marks. Finally, plaintiff cannot rely on the expansion doctrine because defendant has long since occupied this area without objection from Freedom Savings. Even if plaintiff could have expanded into the real estate

business, "it was bound to protect it against invaders by affirmative action; it could not impose upon [defendant] the duty of divining its own purpose or possible mistake of the public." Emerson Electric Mfg. Co. v. Emerson Radio & Phonograph Corp., 105 F.2d 908, 911 (2d Cir. 1939) cert denied 308 U.S. 616, 60 S.Ct. 262, 84 L.ed. 515 (1939)(Learned Hand, J.). Not until it contemplated a network of organizations under the Freedom Savings umbrella did plaintiff ever take any "affirmative action" to protect its mark. It had no right of expansion into the real estate brokerage business under the name "Freedom."

(c) Laches. Even if there is a likelihood of confusion between plaintiff's and defendant's use of the word "Freedom," and even if the expansion

doctrine applied, the Court concludes that plaintiff is barred by the doctrine of laches from pressing its infringement claim. To prevail under this rule of equity in a service and trademark infringement action, a defendant must show, (1) a delay in asserting a right or claim; (2) that the delay was not excusable; (3) and that the delay caused undue prejudice. Citibank, N.A. v. Citibanc Group, Inc., supra.

In applying this flexible doctrine, the Court must examine both the amount of delay and the prejudice caused by that delay. Id. Plaintiff knew of defendant's business from the day defendant opened, yet did nothing until defendant filed an application to register the name Freedom Realty. Even after it opposed defendant's application, plaintiff did

not write a cease and desist letter until August of 1981, almost five years after the time that it knew defendant was operating under the name Freedom Realty. Plaintiff has shown no reason why this long period of acquiescence should be excused. Furthermore, defendant has expended considerable time, effort and money in promoting his business and his name. He is greatly prejudiced by the fact that plaintiff slept on its rights

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[9]Plaintiff contends that the doctrine of laches is inapplicable here, since its damage claims were eliminated before presentation of defendant's case, citing Country Properties, Inc. v. Bill's Country Kitchen, et al., 204 USPQ 548 (M.D. Fla. 1979). However, plaintiff here seeks injunctive relief to prevent defendant from using the word "Freedom" in conjunction with his business. As stated by the Fifth Circuit "One basic principal has, however, been consistently followed: equitable remedies are not available if granting the remedy would be inequitable to the defendant because of

for almost five years. Therefore plaintiff's claims are barred by laches.[9]

2) Plaintiff's Unfair Competition Claim

Plaintiff's second claim is based on 15 U.S.C.§1125(a). This section of the Lanham Act created a distinct statutory tort designed to afford a broad protection against various forms of unfair competition and false advertising. Estate of Presley v. Russen, 513 F.Supp. 1339, 1376, 211 USPQ 415, 450 (D.N.J. 1981)(cites omitted). Unfair competition is a broader area of the law than trade

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plaintiff's long delay." Environmental Defense Fund v. Alexander, 614 F.2d 474 at 478 (5th Cir. 1980). Therefore, plaintiff's request for the equitable remedy of an injunction requires that the court also look to the equity doctrine labelled "laches."

or service mark infringement. Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Manufacturing, Inc., 510 F.2d 1004, 1010, 185 USPQ 364, 368 (5th Cir. 1975); Quabaug Rubber v. Bariano Shoe Inc., 557 F.2d 154 (1st Cir. 1977); 1 J.T. McCarthy, Trademarks and Unfair Competition, §2:2 at 45 (1973)(cites omitted). In other words, infringement of a registered mark is but a subset of those things proscribed by the unfair competition cause of action provided in §1125(a).

The central inquiry in this claim is whether defendant is passing off his services as those of plaintiff by virtue of "substantial similarity" between the two, leading to confusion on the part of potential customers. Sun-Fun Products v. Suntan Research & Development, 656 F.2d

186, 192, 213 USPQ 91, 96 (5th Cir. 1981). While the factors governing this inquiry are essentially the same as those relevant to determining trademark infringement, the scope is much broader. Id.

Even under this broader inquiry, the Court still concludes that there is no "substantial similarity" between plaintiff's and defendant's presentations to the public. Defendant does not pass off his services as those of plaintiff's.

3) Dilution under Fla.Stat. 475.15 (1977)

Under this claim plaintiff must show that defendant's use of the word "Freedom" will lessen the uniqueness of plaintiff's registered mark, with the possible future result that a strong mark

may become a weak one. Holiday Inns, Inc. v. Holiday Out in America, 481 F.2d 445, 450, 178 USPQ 257, 260 (5th Cir. 1973). Again, while the inquiry here is broader than under the infringement claim, plaintiff has not shown that the advertising and commercial value of its mark has been drained off by defendant's use of "Freedom." Community Federal Savings & Loan Association v. Orondorff, 678 F.2d 1034, 215 USPQ 26.

4) Defendant's Counterclaim

In the counterclaim, defendant asks for a declaratory judgment that it has a common law right to the service mark "Freedom Realty" and further asks that plaintiff be enjoined from using the word "Freedom" in association with its somewhat recently acquired real estate

brokerage.

It is an axiom of service and trademark law that the first user of a mark owns it if conflicts arise with rival claimants. Hanover Star Milling Co. v. Metcalf, 240 U.S. 403, 415 (1916). Once the basic rights in a mark are acquired upon its initial use, one may supplement or extend those rights by registration. E. Vandenburg, Trademark Law and Procedure, §2.10, p. 54 (2nd ed. 1968). Although defendant was the first user of the mark Freedom Realty, he never obtained federal registration. Instead, the TTAB held that his mark was likely to be confused with plaintiff's various registered marks. As stated above, that decision is not binding here, and the Court finds it unpersuasive. Therefore, while not a registered mark under the

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Lanham Act, defendant still has the rights conferred by a common law trademark.

Plaintiff began using the mark "Freedom Savings" shortly before defendant opened his business. Plaintiff registered this mark, and the mark "Freedom" not long after defendant opened his doors. When two parties acquire common law rights in a mark in different areas and the prior user registers the mark, then the registered owners' rights can become incontestable. The other common-law owner does retain exclusive rights to the mark in areas where his use antedated the registration. Wrist-Pocket Mfg. Co. v. Saunders Archery Co., 578 F.2d 727, 730, 198 USPQ 257, 259 (8th Cir. 1978); Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co., 477 F.2d

150, 157, 177 USPQ 496, 500-01 (6th Cir. 1970). Here, plaintiff had common-law rights in its various Freedom marks, as did defendant for his mark Freedom Realty. When plaintiff registered its marks, they became incontestable under 15 U.S.C. §1065, except to the extent of defendant's rights in the geographic region created by his common-law mark. 15 U.S.C. §1115(b)(5); Wrist Pocket Mfg. Co. v. Saunders Archery Co., supra. As a result, defendant's common law mark in Freedom Realty exists only in the area where he pursues his business, namely in Hillsborough County, Florida.

5) Remedies

Plaintiff is not entitled to any relief, having not prevailed on its three claims. Defendant is entitled to a

declaratory judgment enabling him to use the term Freedom Realty in Hillsborough County, and plaintiff shall be enjoined from using the service mark Freedom Realty in Hillsborough County. While defendant requests an award of its attorney fees, this is not an "exceptional" case as required by 15 U.S.C. §1117.

Judgment will be entered accordingly.

APPENDIX C

DECISION OF THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

NO. 84-3315

FREEDOM FEDERAL SAVINGS AND LOAN ASSOCIATION,

Appellant,

v.

WAY,

Appellee.

Decided April 15, 1985

Appeal from the United States District Court for the Middle District of Florida.

Before FAY and JOHNSON, Circuit Judges, and DYER, Senior Circuit Judge.

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JOHNSON, Circuit Judge:

Freedom Savings and Loan Association brought this action against Vernon Way, sole proprietor of Freedom Realty Company, alleging that Way had infringed its servicemark under the Lanham Act, 15 U.S.C.A. §1114 (1963), and had committed unfair labor practices under 15 U.S.C.A. §1125 (1982) and "dilution" under FLA.STAT. §495.151 (1972) by using the Freedom Realty name. Way counterclaimed for injunctive relief preventing Freedom Savings from infringing on his common law rights in the name Freedom Realty.

Freedom Savings first adopted its name in 1974 when it was a federally-chartered savings and loan association offering services throughout Florida and in other states. The company chose the name Freedom after reviewing names

suggested by the public that were descriptive of the company's image and function; Freedom was chosen in consideration of the public's apparent appreciation of God and country. The name was placed on a red and white banner logo, similar to a flag. By the fall of 1976, Freedom Savings had registered several other servicemarks and trademarks, including "Freedom Federal" and "Freedom Account." Later, in 1979, FSL registered the single word "Freedom" when used in connection with savings and loan association services.

In November of 1976, Way opened his real estate office in the Tampa area and named it Freedom Realty Company. Although Way knew of Freedom Savings, he testified that he never thought the two entities would be confused and that he

had chosen the name because of the bicentennial celebration. Freedom Savings knew of the existence of Freedom Realty and encouraged Way to refer potential mortgage borrowers to Freedom Savings.

Late in 1978, Way applied to the Patent and Trademark Office for registration of the name Freedom Realty Company and Freedom Savings filed its opposition to that registration. The Trademark Trial and Appeal Board (TTAB) decided the dispute in favor of Freedom Savings in 1981; Way did not appeal that decision. In the meantime, Freedom Savings had become a state-chartered institution which meant that it could, for the first time, offer real estate brokerage services to the public. Before that time, it had purchased and sold

property, but only as a proprietor rather than as a broker. Freedom Savings purchased Sun Bay Realty, which operated in the same market as Way's Freedom Realty, and the two companies cooperated on at least one sale.

After the TTAB decision, Way began to advertise his company as "Vernon Way's Freedom Realty, Independently Owned and Operated." Nevertheless, Freedom Savings sent him a letter in December of 1981 demanding that he cease using the Freedom Realty name. After unsuccessful attempts to settle the dispute, Freedom Savings filed this suit seeking monetary damages and declaratory and injunctive relief. Freedom Savings moved for summary judgment, alleging that the earlier proceeding before the TTAB had conclusively resolved the servicemark

infringement claim in this suit; the court denied the motion. The case then proceeded to trial before a jury. The court granted Way's motion in limine at the beginning of the case, forbidding any reference to the earlier TTAB proceedings. At the close of the plaintiff's case, the jury was dismissed because Freedom Savings had not presented any evidence to allow a calculation of damages by the jury. The court served as trier of fact on the equitable claims that remained in the case and ruled in favor of Way on all of Freedom Savings' claims. The court also granted Way's counterclaim and enjoined Freedom Savings from using the name "Freedom Realty" in Hillsborough County, 583 F.Supp. 544.

APPENDIX C

I. Infringement

The central inquiry in a servicemark infringement case is whether there is a "likelihood of confusion" on the part of consumers between the names and symbols used by the two parties.[1] The district court ruled that there was no likelihood of confusion in this case. The validity of that ruling will depend of the court's treatment of the prior decision by the TTAB and its assessment of the factors that courts in this Circuit most commonly rely upon to resolve the question of likelihood of confusion.

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[1]The parties no longer dispute the threshold question of whether the servicemark is distinctive enough to deserve protection under the Lanham Act. This case therefore presents no issue

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regarding the "secondary meaning" that may have attached to the servicemark.

A. The TTAB decision

In many infringement cases the parties have had no occasion to pursue their claims before the TTAB. In cases involving trademark disputes ruled upon by the TTAB, however, the courts must give proper deference to the decision reached by the Board. Freedom Savings alleges that the court's failure to give adequate consideration to the TTAB decision infected its rulings on the motion for summary judgment, the

admissibility of certain evidence and the burden of proof.

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Summary Judgement

In United States v. Utah Construction and Mining Co., 384 U.S. 394, 86 S.Ct. 1545, 16 L.Ed.2d 642 (1966), the court held that the factual findings of an administrative agency acting in a judicial capacity will in some circumstances be given res judicata or collateral estoppel effect in subsequent related lawsuits. Freedom Savings claimed in its motion for summary judgment that the TTAB decision in this case deserves such treatment. Since the TTAB found in favor of Freedom Savings on the likelihood of confusion issue, collateral estoppel would entitle Freedom Savings to summary judgment as a matter of law.

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The Utah Construction court reached the result just described because Congress intended that a determination of facts by the Board of Contract Appeals acting in a judicial capacity would be final and conclusive for the parties. 384 U.S. at 419, 86 S.Ct. at 1558. Thus, while the preclusive effect of an administrative decision will depend in part on the adjudicative quality of the agency action and on traditional principals of collateral estoppel such as finality, International Union of Operating Engineers, Local No. 714 v. Sullivan Transfer, Inc., 650 F.2d 669, 672-76 (5th Cir. Unit A 1981), Congress can also limit the preclusive effect of an agency decision for the sake of some

other public policy. Cf. Alexander v. Gardner-Denver Co., 415 U.S. 36, 48-51 & n. 10, 94 S.Ct. 1011, 1019-1021 & n. 10, 39 L.Ed.2d 147 (1974).

This Circuit has decided that Congress limited the res judicata or collateral estoppel effect to be given the decisions of the TTAB because the Lanham Act provides for extensive judicial involvement in the registration and protection of trademarks. Section 1071(b) of Title 15 U.S.C.A. (1982) empowers courts to hear appeals from the TTAB de novo. According to American Heritage Life Insurance Co. v. Heritage Life Insurance Co., 494 F.2d 3 (5th Cir. 1974), the ability of courts to hear appeals on a de novo basis reflects a Congressional intent not to invoke the immunizing doctrines of res judicata or

collateral estoppel with regard to TTAB proceedings. In this Circuit, a court hearing an infringement claim in not legally and conclusively bound by a prior decision of the TTAB regarding the same trademark dispute.[2] The trial court correctly denied the motion for summary judgment.

Admissibility of Evidence

The second alleged source of error

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[2]But cf. Flavor Corp. of America v. Kemin Industries, Inc., 493 F.2d 275 (8th Cir. 1974). The Kemin court held that where the Court of Customs and Patent Appeals (now the Court of Appeals for the Federal Circuit) has found a likelihood of confusion between two similar marks in a cancellation proceeding, that fact is precluded from relitigation in a subsequent infringement action between the same parties under the doctrine of collateral estoppel. Since that ruling was based on the Article III status of the CCPA, it arguably would not apply to decisions of the TTAB.

arose from the district court's exclusion of all references to the TTAB proceedings "in the presence of the jury." Freedom Savings contends that the decision was reversible error because it removed from consideration some of the most important evidence in the case without any substantial justification. We do not address the propriety of that ruling, however, because the district court rescinded its earlier ruling once the jury had been dismissed at the end of the plaintiff's case. Explaining that the exclusion of the TTAB proceedings had been for the benefit of the jury, the court stated that re-argument of the issue would not be necessary and that the material could come in.

Freedom Savings claims that despite this ruling, the court did not consider

all the pertinent material. While acknowledging that the district court reviewed the findings of the TTAB before making its ruling, Freedom Savings maintains that its witnesses had limited their testimony to exclude all references to the TTAB proceedings, thereby weakening their testimony.[3] Freedom Savings contends, therefore, that the damage had already been done by the time the court made its second ruling.

Freedom Savings, however, never explains why it presented no evidence of the TTAB proceedings either during cross-examination or during rebuttal. Freedom Savings presented no rebuttal evidence at

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[3]We note, however, that the court's order excluded references to the TTAB proceedings but left Freedom Savings free to present the same evidence that the TTAB had considered.

all, yet it could have presented considerable evidence at that stage, including supplemental testimony of previous witnesses, in order to compensate for the earlier exclusion. This complete failure to proffer evidence indicates that any error by the trial court in excluding evidence was harmless; the choices of counsel rather than the rulings of court were responsible for the exclusion. Cf. Mills v. Levy, 537 F.2d 1331 (5th Cir. 1976).

Burden of Proof

The TTAB proceedings, while not dispositive of this case, were relevant evidence for the court to consider. In deciding whether to register Way's servicemark, the TTAB, like the district court in this infringement case, was

faced with the question of whether the servicemarks of the two parties were likely to cause confusion among consumers. 15 U.S.C.A. §1052(d) (1976); 15 U.S.C.A. §1114(1) (1963). Freedom Savings claims that the ruling by the TTAB changed the applicable burden of proof in this case and that the trial court erred by using the preponderance of the evidence standard in reaching its conclusion that there was no likelihood of confusion.

Fifth and Eleventh Circuit precedent establishes that the findings of the TTAB will control in a subsequent infringement suit unless the contrary is established by evidence that, in character and amount, carries "thorough conviction." American Heritage Life Ins. Co. v. Heritage Life Ins. Co., 494 F.2d

3, 10 (5th Cir. 1974); Aloe Creme Laboratories, Inc. v. Texas Pharmacal Co., 335 F.2d 72, 74 (5th Cir. 1964). This standard of proof arises out of respect for the expertise of the TTAB.

The district court did not mention this standard of proof in its final order, yet it is clear that the court used the proper standard in evaluating the TTAB findings. It discussed the relevant standard of proof at some length in its ruling on the summary judgment motion and the defendant raised the issue in its post-trial brief. Moreover, the court's final order contains the following discussion of the relevance of the TTAB decision:

> The TTAB came to the opposite conclusion on [the issue of likelihood of confusion]....The TTAB decision is "entitled to the most respectful consideration,"

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> but does not collaterally estop relitigation of this issue. Carling Brewing Co., Inc. v. Phillip [Philip] Morris, Inc., 277 F.Supp. 326, 333 (N.D.Ga. 1967). While the Court has considered the TTAB's decision, it is still unpersuaded that there is an likelihood of confusion, especially when measured by the seven criteria used in this Circuit.

The cited passage from Carling Brewing makes reference to Aloe Creme Laboratories, Inc. v. Texas Pharmacal Co., 335 F.2d 72 (5th Cir. 1964), one of the sources of the "thorough conviction" standard. Given the trial court's familiarity with the relevant precedents, its statement that the TTAB decision deserved the "most respectful consideration," and its silence on the question of burden of proof in other parts of the opinion, it is most reasonable to conclude that the court

employed the proper standard of proof.

B. The seven factors

Decisions of this court have set forth seven factors to consider in deciding whether there is a likelihood of confusion between two servicemarks. The factors include the type of servicemark at issue, similarity of design, similarity of services, identity of purchasers and similarity of retail outlets, similarity of advertising campaigns, the defendant's intent, and actual confusion. Safeway Stores, Inc. v. Safeway Discount Drugs, 675 F.2d 1160, 1164 (11th Cir. 1982); Roto-Rooter Corp. v. O'Neal, 513 F.2d 44 (5th Cir. 1975); Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857 (5th Cir. 1967). Although these factors are not

literally embodied in the statute, they direct the court's attention to the most pertinent facts.

This Court reviews the trial court's assessment of these factors under the clearly erroneous standard. Jellibeans, Inc. v. Skating Clubs of Georgia, Inc., 716 F.2d 833, 840-41 (11th Cir. 1983). In light of the modified standard of proof for infringement suits arising from disputes previously adjudicated in adversarial proceedings before the TTAB, the question is whether the district court was clearly erroneous in ruling that the evidence supporting its ruling carried thorough conviction.[4]

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[4]The existence of a registered servicemark belonging to Freedom Savings does not further modify the relevant standard of proof in the court below. While registration creates a rebuttable

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Type of Trademark

The more distinctive a plaintiff's servicemark, the greater the likelihood that consumers will associate the registered mark and all similar marks with the registered owner. The law therefore provides the greatest protection to strong and distinctive servicemarks; the strength of a mark depends on the extent of third party usage and the relationship between the name and the service or good it describes.

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presumption of the validity of the registration and the holder's right to its exclusive use, 15 U.S.C.A. §1057(b) (1963), that does not affect the ultimate burden of proof to be carried by the plaintiff in an infringement action. Sun Banks of Florida v. Sun Federal Savings and Loan Association, 651 F.2d 311 (5th Cir. 1981).

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If a name is used by third parties other than the infringer, then it is less strongly protected than it would otherwise be. Sun Banks of Florida v. Sun Federal Savings and Loan Association, 651 F.2d 311 (5th Cir. 1981); Amstar Corp. v. Domino's Pizza, Inc. 615 F.2d 252 (5th Cir.), cert. denied, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980). The court found that several businesses offering real estate and financial services in the Tampa area use the name Freedom. While Freedom Savings has resisted some such attempts to use the name and has filed several successful infringement suits in the past, other uses of the name within the knowledge of Freedom Savings have gone unchallenged. While this does not amount to extensive third-party usage, it does

weight slightly in favor of the defendant.

The primary indicator of trademark strength measures the logical correlation between a name and a product. If a seller of a product or service would naturally use a particular name, it is weakly protected. Jellibeans, Inc. v. Skating Clubs of Georgia, Inc. 716 F.2d 833, 841 n. 19 (11th Cir. 1983). The relationships between names and products fall into several classifications, each one more heavily protected than the last: generic, descriptive, suggestive, arbitrary or fanciful, and coined.[5]

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[5]Generic marks refer to a particular genus or class of which an individual service is but a member; such marks may never receive servicemark protection. Descriptive marks directly describe a characteristic or quality of the service, and can only be protected if they have

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Freedom Savings claims that the name "Freedom" is arbitrary and fanciful because it suggests patriotism rather

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acquired a "secondary meaning." 15 U.S.C.A. §1052(f) (1976). "Vision Center", when used to describe a place to purchase eyeglasses, would be a descriptive name. Vision Center v. Opticks, Inc., 596 F.2d 111 (5th Cir. 1979), cert denied, 444 U.S. 1016, 100 S.Ct. 668, 62 L.Ed.2d 646 (1980). Suggestive marks subtly connote some thing about the service so that a customer could use his or her imagination and determine the nature of the service. The term "Penguin" would be suggestive of refrigerators. Soweco, Inc. v. Shell Oil Co., 617 F.2d 1178, 1184 (5th Cir. 1980) cert denied, 450 U.S. 981, 101 S.Ct. 1516, 67 L.Ed.2d. 816 (1981); See also John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966, 975 (11th Cir. 1983) ("Memory Stub" is either suggestive or descriptive of device for recording bank check information); Citibank, N.A. v. Citibanc Group, Inc., 724 F.2d 1540 (11th Cir. 1984) ("Citibank" is suggestive of a modern or urban bank).

Two final categories receive the strongest legal protection. An arbitrary or fanciful mark is a word in common usage applied to a service unrelated to its meaning; "Sun Bank" is such an carbitrary or fanciful mark when applied

than the provision of financial services. Yet it is equally plausible that a consumer would associate the idea of freedom with financial services. People seeking banking services desire security and financial freedom. Freedom Savings' method of choosing this name confirms the association, because "Freedom" was a name suggested through a public contest designed to provide a name appropriate for a savings and loan association. The district court noted these facts and categorized "Freedom" as a suggestive

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to banking services. Sun Banks of Florida v. Sun Federal Savings and Loan Association, 651 F.2d 311 (5th Cir. 1981). Last, a coined name would be a word invented in order to identify to product or service, such as Kodak or Xerox. These categories have been characterized as "central tones in a spectrum." Soweco, supra, at 1183.

mark. We cannot conclude that the finding was clearly erroneous. Since the TTAB did not address this issue, the evidence relied on by the court carried thorough conviction.

Similarity of Mark

The district court found that Freedom Realty and Freedom Savings and Loan Association were not so similar that they suggested a connection between the two entities. The TTAB reached the opposite conclusion by noting that the most distinctive portions of the two names are identical while the differences (e.g., Realty) are merely generic terms that do not deserve great weight. The court recognized that Freedom was the most important part of the mark but also stated correctly that the use of an

identical word, even a dominant word, does not automatically mean that two marks are similar. Freedom Realty never advertised with the word "Freedom" alone. Since in this case the primary word was weakly protected to begin with, minor alterations could effectively negate any confusing similarity between the two. Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association, 651 F.2d 311, 316 (5th Cir. 1981).

The court also looked to the dissimilar logos of Freedom Realty (a red, white and blue eagle and shield) and Freedom Savings (a red and white banner) and noted that Freedom Realty most often advertised by using its logo in connection with the name. The TTAB considered the logo of Freedom Realty in its decision, stating that an eagle

design has a "natural affinity" to the idea of freedom. Yet this comparison between one design and a concept shared by both designs does not amount to a comparison of the total effects of both designs as required in this Circuit. Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252 (5th Cir.), cert. denied, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980). The TTAB's failure to compare overall designs or to consider the relative weakness of the registered mark supports the district court's conclusion that evidence of thorough conviction established the lack of confusing similarity of the marks.

Similarity of Services

Freedom Savings never offered real estate brokerage services to the public

until 1980, when it obtained a state charter and purchased Sun Bay Realty Company. Freedom Realty never offered financial services to its customers other than recommending financial institutions (including Freedom Savings) where they could obtain loans. Despite the fact that Freedom Savings performed appraisals and executed leases, it carried out these functions in a proprietary capacity, not as a broker for third parties. The district court correctly concluded that Freedom Savings and Freedom Realty did not offer the same products before 1980 and did not offer similar products under the name Freedom after 1980; from this it concluded that the services were not confusingly similar. This finding contradicted that of the TTAB, which considered the issue at some length and

found that the services of the two firms were confusingly similar.

The doctrine of "expansion" accounts for the differences between the trial court and the TTAB on this issue. That doctrine states that the holder of a servicemark related to one set of services may prevent another from using that mark on another set of services if the two services are so related that the public may think the original owner has expanded its business into the new area. The doctrine prevents one person from capitalizing on and damaging the reputation of another person in a related field. Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association, 651 F.2d 311 (5th Cir. 1981); American Foods, Inc. v. Golden Flake, Inc., 312 F.2d 619 (5th Cir. 1963). In this case, if real

estate and banking are services so similar that the public might believe that Freedom Savings had expanded its business to include real estate, then the fact militates in favor of a likelihood of confusion.

The trial court gave three reasons why expansion should not apply in this case. The first, the fact that Way used the Freedom name in connection with real estate sales before Freedom Savings did, is irrelevant. In every expansion case, some party other than the servicemark holder uses the name first in some new and related field. Another of the reasons, unreasonable delay on the part of Freedom Savings in asserting its rights, is also irrelevant at this stage

of the inquiry.[6] Laches on the part of the registered servicemark owner may provide a reason to ignore any confusion caused by the similarity between services such as banking and real estate, but the question at this point is the existence of confusing similarity, not its consequences.

The only remaining objection to this doctrine is the fact that real estate was not a natural area of expansion for Freedom Savings because federal law prohibited such an expansion. Freedom Savings did not obtain its state charter until 1980, well after Freedom Realty had begun operation. Yet there is no assurance that federal regulations would have influenced the public's perception

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[6]See footnote 8, infra.

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of the services likely to be offered by Freedom Savings. Moreover, Freedom Savings' status as a state-chartered institution indicates that federal registrations do not seriously affect the present likelihood of confusion. Given the flutuating nature of banking regulation and the fact that real estate sales and real estate finance are highly complementary services, the TTAB reached a reasonable result when it found a confusing similarity between the services that could be offered by the parties. The district court clearly erred when it found that the opposite position was supported by evidence carrying thorough conviction.

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Identify of Customers and Facilities

Dissimilarities between the retail outlets for the parties' services reduce the possibility of confusion. Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 262 (5th Cir.), cert. denied, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980). It is undisputed that the facilities used by Freedom Savings and Freedom Realty are quite different for Way operates his business out of a residential building and Freedom Savings uses modern commercial banking buildings.

The identity of customers may also affect the likelihood of confusion, and that presents more of an issue in this case.[7] On the one hand, the nature of

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[7]The district court found that there

the services offered by the two companies here suggests that a sizeable group of customers would be interested in both types of service. A consumer who uses both services is more susceptible to confusion than a consumer who uses only one of the two. On the other hand, since most of these customers are making a major investment, they are likely to be especially well-informed buyers. The sophistication of a buyer certainly bears on the possibility that he or she will become confused by similar marks. Sun-Fun Products, Inc. v. Suntan Research & Development, Inc., 656 F.2d 186, 189,

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was evidence of only a few customers seeking the services of both Freedom Realty and Freedom Savings. It would overburden a plaintiff to ask that he or she prove through direct evidence that a large number of customers actually use the services of both parties; hence, it

(5th Cir. Unit B 1981). We therefore conclude that the trial court did not clearly err in finding that the identify of the customers did not contribute to the likelihood of confusion. Since the TTAB never considered this point, the evidence carries thorough conviction.

Similarity of Advertising

Freedom Savings spends much more on advertising than Freedom Realty. It advertises on television and radio and in high-circulation newspapers. Freedom Realty, by contrast, advertises infrequently on radio and more often in newsletters, "shopper" papers and low-circulation newspapers. The district

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should be enough to show that the same customers are likely to use both services.

court was not clearly erroneous in finding that the overall advertising campaigns of the two entities were quite different. The TTAB made no comparison of advertising campaigns.

Intent of Defendant

If a person intends to induce confusion among customers, he or she is likely to succeed. A finding of malicious intent on the part of the defendant will therefore incline a court to find a likelihood of confusion. In this case, Way continued to use the name Freedom Realty even after losing his case before the TTAB. But that does not, as Freedom Savings contends, establish bad faith per se, because Way modified the name after the TTAB decision in an effort

to distinguish his business from Freedom Savings. He used the name "Vernon Way's Freedom Realty, Independently Owned and Operated." The trial court reasonably interpreted this as evidence of good faith and the TTAB had no opportunity to make any findings on the issue.

Actual Confusion

Actual confusion by a few customers is the best evidence of likelihood of confusion by many customers. Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252, 263, (5th Cir.), cert. denied, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980). Freedom Savings presented testimony regarding two alleged incidents of confusion between itself and Freedom

Realty. The first was the testimony of Freedom Savings' president that some of his friends had asked if Freedom Realty belonged to Freedom Savings. The court discounted this testimony because none of the friends were identified as potential customers and none of them testified at trial.

The second alleged incident was related by a representative of Freedom Savings, Rudy Canady, who testified in deposition that during a visit to Way's office Way had mentioned a potential customer who had thought that Freedom Savings and Freedom Realty were related. Way denied that the incident took place and the court accepted his contention, noting that Way was a credible witness and that Canady had a personal dislike for Way. Freedom Savings does not give

any reason to find these factual findings based on witness credibility to be clearly erroneous. Hence, even though a plaintiff usually will not have to prove more than a few incidents of actual confusion, World Carpets, Inc. v. Dick Litterell's New World Carpets, 438 F.2d 482 (5th Cir. 1971), in this case there was no reliable proof of actual confusion at all. The district court did not clearly err and the TTAB made no findings as to actual confusion.

Conclusion

With the exception of the similarity of services, the district court did not clearly err in holding for the plaintiff on each of the issues, even under the thorough conviction standard.

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The type of mark and the evidence of actual confusion, both of which favor the defendant in this case, are the most important of the factors in this Circuit, John H. Harland Co. v. Clarke Checks, Inc., 711 F.2d 966 (11th Cir. 1983); Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association, 651 F.2d 311 (5th Cir. 1981). The TTAB made no findings on these issues. In light of the district court's correct findings on those critical factors as well as a majority of the other factors, we hold that the ultimate finding in favor of Way was not clearly erroneous. Since there was no likelihood of customer confusion between Freedom Savings and Freedom Realty, the plaintiff has failed to establish its claim of

infringement.[8]

II. Unfair Competition

In addition to the infringement claim, Freedom Savings brought an unfair competition claim under 15 U.S.C.A. §1125 (1982). An unfair competition claim, like infringement, calls on the plaintiff to show confusing similarity between services. Thus, many of the same facts working against Freedom Savings on the infringement claim also work against it on this claim. The district court held

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[8]The trial court found that, even if Freedom Savings has established a likelihood of confusion, it could not hold Way liable for infringement because of laches. Five years passed between Way's first use of the Freedom name and the filing of this lawsuit. Because of our ruling on the likelihood of confusion, we need not reach this issue.

that Freedom Savings had not shown a "substantial similarity" between services and therefore had failed to prove its claim.

Failure on the infringement claim would not automatically bar an unfair competition claim. As the court noted in Sun-Fun Products v. Suntan Research & Development, 656 F.2d 186, 192 (5th Cir. Unit B 1981), the unfair competition claim is a "broader" one that requires the court to examine conduct by the defendant that would not be dispositive of an infringement claim. One example would be the use of packaging or "trade dress" that is not protected by a registered trademark but that nevertheless causes confusion between products.

Freedom Savings, however, does not complain of any conduct by Way not considered already in the infringement claim. Because Freedom Savings offers nothing new to include in the broadened unfair competition inquiry, we will affirm the district court's holding on this issue.

III. Dilution

A Florida statute, Section 495.151, expands the protections of trademark law by preventing persons from "diluting" the distinctiveness and value of a trademark by using it on products and services completely different from the original product or service. Dilution, like unfair competition, is a broader claim than infringement. Freedom Savings

claims that the use of the Freedom name, even if it was not infringement, constituted dilution.

Dilution requires some proof that the use of a trademark decreases its commercial value. If the plaintiff holds a distinctive trademark, it is enough that the defendant has made significant use of a very similar mark. See Community Federal Savings & Loan Assoc. v. Orondorff, 678 F.2d 1034, 1035, (11th Cir. 1982). On the other hand, where the mark is a weak one that lacks much distinctiveness, the mere use of a similar mark will not establish loss of commercial value. See Amstar Corp. v. Domino's Pizza, Inc., 615 F.2d 252 (5th Cir.), cert. denied, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980). Freedom Savings has presented no evidence

of diminished commercial value in this case apart from the fact that Freedom Realty has used a similar name. Since "Freedom" has been determined to be a weak trademark in this case, the district court was not clearly erroneous to find that Freedom Savings has failed to prove that Way's use of the Freedom name decreased its value in the area of financial services.

IV. Remedy

The district court issued an injunction in this case preventing Freedom Savings from using the name Freedom Realty Company in Hillsborough County, where Way had established his common law rights to the name. Freedom Savings claims that this remedy was

improper because it interferes with rights granted to it under federal trademark law. The remedy, so the argument goes, is preempted by federal law regardless of the merits of Freedom Savings' other claims.

The argument, however, does not explain how the remedy ordered by the court conflicts with federal trademark rights once it is settled that Way's use of the name Freedom Realty was not an infringement under the Lanham Act. If Freedom Savings had no right to stop Way from using Freedom Realty as the name of his real estate brokerage firm in Hillsborough County, then there is no federal right implicated by the court's order. The order by the court simply protected Way's common law rights and was proper in light of the court's

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disposition of Freedom Savings' other claims.

V. Conclusion

The plaintiff has not demonstrated a likelihood of confusion between the two servicemarks and therefore has failed to establish infringement. Neither has it demonstrated any further illegal conduct by the defendant that would establish dilution or unfair competition in the absence of likelihood of confusion regarding the servicemarks. Finally, it has not pointed to any error in the remedy ordered by the district court. The judgment of the district court is AFFIRMED.

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STATUTES INVOLVED
15 U.S.C. §1071
15 U.S.C. §1052(a)
15 U.S.C. §1063

1. 15 U.S.C. §1071.[1] Review of Commissioner's or Trademark Trial and Appeal Board's Decision.

(a)(1) An applicant for registration of a mark, party to an interference proceeding, party to an opposition proceeding, party to an application to

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[1]This statute was in effect in this form at the available time of appeal for respondent. The statute was amended on November 8, 1984, P.L. 98-620, Title IV, Subtitle C, §414(b), 98 Stat. 3363. The amendment reflected the formation of the Court of Appeals for the Federal Circuit.

register as a lawful concurrent user, Commissioner or Trademark Trial and Appeal Board, may appeal to the United States Court of Customs and Patent Appeals thereby waiving his right to proceed under section 21(b) hereof [subsec. (b) of this section]: Provided, That such appeal shall be dismissed if any adverse party to the proceeding, other than the Commissioner, shall, within twenty days after the appellant has filed notice of appeal according to section 21(a)(2) [subsec. (a)(2) of this section] hereof, files notice with the Commissioner that he elects to have all further proceedings conducted as provided in section 21(b) hereof [subsec. (b) of this section]. Thereupon the appellant shall have thirty days thereafter within which to file a civil action under said

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section 21(b) [subsec. (b) of this party to a cancellation proceeding, a registrant who has filed an affidavit as provided in section 8 [15 USCS §1058], or an applicant for renewal, who is dissatisfied with the decision of the section], in default of which the decision appealed from shall govern the further proceedings in the case.

(2) Such an appeal to the United States Court of Customs and Patent Appeals shall be taken by filing a notice of appeal with the Commissioner, within sixty days after the date of the decision appealed from or such longer time after said date as the Commissioner appoints. The notice of such appeal shall specify the party or parties taking the appeal, shall designate the decision or part thereof appealed from, and shall state that the

appeal is taken to said court.

(3) The court shall, before hearing such appeal, give notice of the time and place of the hearing to the Commissioner and the parties thereto. The Commissioner shall transmit to the court certified copies of all the necessary original papers and evidence in the case specified by the appellant and any additional papers and evidence specified by the appellee, and in an ex parte case the Commissioner shall furnish the court with a brief explaining the grounds of the decision of the Patent and Trademark Office, touching all the points involved in the appeal.

(4) The court shall decide such appeal on the evidence produced before the Patent and Trademark Office. The court shall return to the Commissioner a certificate

of its proceedings and decision, which shall be entered of record in the Patent and Trademark Office and govern further proceedings in the case.

(b)(1) Whenever a person authorized by section 21(a) hereof [subsec. (a) of this section] to appeal to the United States Court of Customs and Patent Appeals is dissatisfied with the decision of the Commissioner or Trademark Trial and Appeal Board, said person may, unless appeal has been taken to said Court of Customs and Patent Appeals, have remedy by a civil action if commenced within such time after such decision, not less than sixty days, as the Commissioner appoints or as provided in section 21(a) [subsec. (a) of this section]. The court may adjudge that an applicant is entitled to a registration upon the application

involved, that a registration involved should be canceled, or such other matter as the issues in the proceeding require, as the facts in the case may appear. Such adjudication shall authorize the Commissioner to take any necessary action, upon compliance with the requirements of law.

(2) The Commissioner shall not be made a party to an inter partes proceeding under this subsection, but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

(3) In all cases where there is no adverse party, a copy of the complaint shall be served on the Commissioner; and all the expenses of the proceedings shall be paid by the party bringing them,

whether the final decision is in his favor or not. In suits brought hereunder, the record in the Patent and Trademark Office shall be admitted on motion of any party, upon such terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of any party to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office, when admitted, shall have the same effect as if originally taken and produced in the suit.

(4) Where there is an adverse party, such suit may be instituted against the party in interest as shown by the records of the Patent and Trademark Office at the time of the decision complained of, but

any party in interest may become a party to the action. If there be adverse parties residing in a plurality of districts not embraced within the same State, or an adverse party residing in a foreign country, the United States District Court for the District of Columbia shall have jurisdiction and may issue summons against the adverse parties directed to the marshal of any district in which any adverse party resides. Summons against adverse parties residing in foreign countries may be served by publication or otherwise as the court directs.

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2. 15 U.S.C. §1052. Marks registrable on the principal register; concurrent registration.

No trade-mark by which the goods of the applicant may be distinguished from the goods of others shall be refused registration on the principal register on account of its nature unless it--...

(d) Consists of or comprises a mark which so resembles a mark registered in the Patent and Trademark Office or a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when applied to the goods of the applicant, to cause confusion, or to cause mistake, or to deceive; Provided, That when the Commissioner determines that confusion, mistake, or deception is not likely to result from

the continued use by more than one person of the same or similar marks under conditions and limitations as to the mode or place of use of the marks or the goods in connection with which such marks are used, concurrent registrations may be issued to such persons when they have become entitled to use such marks as a result of their concurrent lawful use in commerce prior to (i) the earliest of the filing dates of the applications pending or of any registration issued under this Act [15 USCS §§1051 et seq.]; or (ii) July 5, 1947, in the case of registrations previously issued under the Act of March 3, 1881 [21 Stat. 502], or February 20, 1905 [33 Stat. 725], and continuing in full force and effect on that date; or (iii) July 5, 1947, in the case of applications filed under the Act

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of February 20, 1905, and registered after July 5, 1947. Concurrent registrations may also be issued by the Commissioner when a court of competent jurisdiction has finally determined that more than one person is entitled to use the same or similar marks in commerce. In issuing concurrent registrations, the Commissioner shall prescribe conditions and limitations as to the mode or place of use of the mark or the goods in connection with which such mark is registered to the respective persons.

3. 15 U.S.C. §1063. Opposition.

Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the required fee, file a

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verified notice of opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 12 of this Act [15 USCS §1062(a)] of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause. The Commissioner shall notify the applicant of each extension of the time for filing opposition. An unverified opposition may be filed by a duly authorized attorney, but such opposition shall be null and void unless verified by the opposer within a reasonable time after such

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filing to be fixed by the Commissioner. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

Supreme Court, U.S.
FILED
AUG 16 1985
JOSEPH F. SPANIOL, JR.
CLERK

No. 85-73

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

FREEDOM SAVINGS AND LOAN ASSOCIATION,
Petitioner,

v.

VERNON WAY, JR., D/B/A FREEDOM REALTY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

1. Is a finding by the Trademark Trial and Appeal Board as to likelihood of confusion of marks, entered after an evidentiary hearing in a contested trademark registration opposition proceeding, entitled to collateral estoppel effect in a subsequent infringement action between the same parties in a federal district court?[1]

2. Does a district court violate the rule of law set by the Supreme Court in *Morgan v. Daniels, infra,* that a finding of confusing similarity of marks by the Patent Office must be accepted as controlling absent the contrary established by evidence, which in character and amount carries thorough conviction, when the district court refuses to allow entry of the administrative decision or any reference to the same during trial?

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[1] Respondent has re-cast the question, pursuant to Rule 34.2.

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No. 85-73

IN THE

Supreme Court of the United States

OCTOBER TERM, 1984

FREEDOM SAVINGS AND LOAN ASSOCIATION,
Petitioner,

v.

VERNON WAY, JR., D/B/A FREEDOM REALTY,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE ELEVENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

The respondent Vernon Way, Jr., d/b/a Freedom Realty, respectfully requests that the Court deny the petition for writ of certiorari seeking review of the Eleventh Circuit's April 15, 1985 decision in this case.

STATEMENT OF THE CASE

Petitioner's statement of the case is generally accurate, and respondent accepts it, with the following clarifications.

First, petitioner's assertion that the events giving rise to this litigation commenced in November, 1978, when respondent applied for federal registration of his service mark, is quite subjective. In light of the laches defense asserted by respondent in the district court, it was significant that he began using his mark

with petitioner's knowledge in November, 1976. (App. B., p. 23a; C., pp. 65a-66a)[2] The district court cited laches as an alternative basis for its judgment in respondent's favor, a ruling the court of appeals did not reach in light of its disposition of the other issues in the case. (App. B., pp. 52a-53a; C., p. 104a, n. 8) In addition, in the district court respondent prevailed on his counterclaim for injunctive relief against petitioner, based on his common law right arising from his first use of the mark "Freedom Realty". The court of appeals affirmed an injunction against petitioner's use of that mark in Hillsborough County, Florida. (App. B., pp. 61a-62a; C., pp. 108a-110a)

Second, petitioner's description of the evidentiary ruling challenged in its second question is overbroad and omits an important detail. As the court of appeals noted, the district court excluded reference to the Trademark Trial and Appeal Board (TTAB) proceedings in front of the jury, but left petitioner free to present the same evidence that the TTAB had considered. (App. C., p. 76c) Especially since petitioner failed to proffer any of the excluded material for the record, it was impossible for the court of appeals to determine whether that, in fact, was done. (App. C., p. 77a)

Moreover, and contrary to the assertion at page 20 of the petition, after the jury was excused in favor of a bench trial the district court rescinded the ruling and announced that the material could be introduced. Nevertheless, petitioner's attorneys thereafter forewent numerous opportunities to introduce the TTAB ruling and other aspects of its proceeding into evidence. Still, the district court studied and considered the TTAB decision before rendering judgment in respondent's favor. (App. B., pp. 49a-50a, n. 8; C., pp. 75a-77a) Consequently, the court of appeals declined to address the propriety of the initial evidentiary ruling. The court observed that since the district court considered the TTAB ruling in its deliberation, and since the exclusion of the evidence was ultimately the result of

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[2] References are to the appendix to the petition for writ of certiorari, which respondent adopts.

counsel's choice and not of the prior evidentiary ruling, any error by the district court in initially excluding the evidence was harmless. (App. C., p. 77a)

Finally, insofar as it implies that the court of appeals acknowledged a decisional conflict, petitioner's claim that the court below "refused to follow" the Eighth Circuit's decision in *Flavor Corporation v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974), is inaccurate. Rather, the court below noted the *Flavor Corporation* decision, and described why it did not apply to the disposition of the issue before it. (App. C., p. 74a, n. 2) In other words, *Flavor Corporation* was not rejected; it was distinguished.

REASONS FOR DENYING THE WRIT

SUMMARY

QUESTION ONE. The question whether the TTAB finding of likelihood of confusion of the parties' marks was entitled to preclusive effect is academic to this case in light of the legal and factual issues presented by respondent's laches defense and his counterclaim based on his pre-existing common law rights to his mark.

Moreover, the court of appeals' treatment of the TTAB finding was consistent with the principles described by this Court in *United States v. Utah Construction and Mining Company, infra*, and by the Eighth Circuit in *Flavor Corporation of American v. Kemin Industries, Inc., infra*. Both courts recognized the importance of Congressional intentions about whether the decisions of an administrative board should be accorded preclusive effect. In the statutory scheme for federal registration of trademarks, the TTAB is imbued with none of the hallmarks of a Congressional intent that its findings should be final and conclusive. To the contrary, Congress affirmatively intended that the TTAB's findings are *not* to be accorded preclusive effect.

The court of appeals' treatment of the TTAB finding was fully consistent with the board's position in the administrative scheme devised by Congress, with Congress's intention with respect to whether the board's findings should be accorded preclusive effect, with the well-established principle that federal registration of trademarks does not affect a party's existing common law rights to his mark, and with the notion that deference should nevertheless be paid to the board's expertise. The court of appeals' decision does not depart from *Utah Construction*, *Flavor Corporation*, or any other decision of this Court or a court of appeals.

QUESTION TWO. This question, as well, is academic. The court of appeals did not address the propriety of the district court's evidentiary ruling because petitioner failed to proffer the material it wished to introduce for the record when the ruling was extant, and failed to introduce the material despite many opportunities to do so after the order was rescinded by the district court. The court of appeals' application of well-established rules of appellate review did not depart from any judicial precedent.

ARGUMENT

QUESTION ONE

IS A FINDING BY THE TRADEMARK TRIAL AND APPEAL BOARD AS TO LIKELIHOOD OF CONFUSION OF MARKS, ENTERED AFTER AN EVIDENTIARY HEARING IN A CONTESTED TRADEMARK REGISTRATION OPPOSITION PROCEEDING, ENTITLED TO COLLATERAL ESTOPPEL EFFECT IN A SUBSEQUENT INFRINGEMENT ACTION BETWEEN THE SAME PARTIES IN A FEDERAL DISTRICT COURT?

Initially, it should be pointed out that the disposition of this issue in petitioner's favor would not afford it success in the litigation.

Assuming, arguendo, that the TTAB finding of likelihood of confusion of the parties' marks was entitled to preclusive effect, it was not dispositive of the infringement action in light of the legal and factual issues presented by respondent's laches defense and his assertion of pre-existing common law rights to his mark. Of course, those issues were outside the ambit of the TTAB's function in the federal trademark registration scheme, and the propriety vel non of the lower courts' rulings in those respects is not raised in the petition.

Moreover, petitioner elected not to introduce evidence of the TTAB proceeding at trial. Indeed, the material was not even proferred for the record during the limited time the district court's order excluding it from evidence was extant.

It thus appears that in the context of the instant case, petitioner's question is academic. In any event, the ruling of the court of appeals on this question was correct; it presented no conflict with any decision of this Court or of another circuit court of appeals.

In *United States v. Utah Construction and Mining Co.*, 384 U.S. 394 (1966), the Court did, indeed, observe generally that

the principles of collateral estoppel and res judicata could apply to findings of administrative boards where the specified conditions were met. But it is important to note the context in which the Court spoke, for it was in that context that the Court offered its reasons for the observation.

In *Utah Construction* the Court pointed out that both the contract and the legislation at issue there "categorically" stated that the administrative board's findings on factual issues were to be "final and conclusive on the parties." *Id.*, at 419. The Court cited a House of Representatives report which characterized the finality provision as "encourag[ing] the parties to make a complete disclosure at the administrative level, rather than holding evidence back for subsequent litigation." *Id.*, at 420.

The importance of Congress's intent was carried over to the Court's discussion of the applicability of general principles of collateral estoppel, which was prefaced with footnote 18. There, the Court quoted at length Judge Davis's dissent from the court of appeals' decision under review in that case. The reluctance of the majority to apply collateral estoppel principles to administrative decisions "because of the nature and genesis of the boards[,]" Judge Davis wrote, should have been dispelled by Congress's intent to make the boards "*the* fact-finders" within their spheres. (Emphasis original.) Judge Davis noted that the reasons the majority offered for a judicial re-trial of the administrative fact findings were "the same policy considerations which Congress and the Supreme Court have already discarded in the Wunderlich Act and the *Bianchi* opinion." *Id.*, at 421, n. 18, quoting 339 F.2d, at 618.

This preface to *Utah Construction's* recitation of the elements that would generally support applying collateral estoppel to findings of administrative entities lends strong support to the view that the Court was assuming an affirmative Congressional intention that the subject body serve as the ultimate fact-finder, i.e., an "administrative agency . . . acting in a judicial capacity." *Id.*, at 422.

But such a contention is not even necessary to the disposition of the question as it relates to the TTAB. In this instance, there is an affirmative Congressional intention that the TTAB is *not* to be the ultimate finder of fact, even within its narrow administrative realm.

The significance of a particular board's place in the administrative machinery devised by Congress was not lost on the Eighth Circuit in *Flavor Corporation of America v. Kemin Industries, Inc.*, 493 F.2d 275 (8th Cir. 1974). Specifically at issue there was whether the Court of Customs and Patent Appeals (CCPA) was a court of competent jurisdiction for purposes of according collateral estoppel effect to its fact findings. *Id.*, at 280.

> In *John Morrell & Co. v. Doyle*, 97 F.2d 232 (7th Cir.), cert. denied, 305 U.S. 643, 59 S.Ct. 146, 83 L.Ed. 415 (1938), the court held that CCPA determinations were not entitled to collateral estoppel effect in subsequent infringement actions because the CCPA was not an Article III court. When *Morrell* was decided in 1938, the CCPA was merely an administrative arm of the patent Office. *Postum Cereal Co. v. California Fig Nut Co.*, 272 U.S. 693, 47 S.Ct. 284, 71 L.Ed. 478 (1927).
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> *Id.*, at 280.

The *Flavor Corporation* court noted, however, that Congress subsequently elevated the CCPA to the status of an Article III court, and that thereafter in *Brenner v. Manson*, 383 U.S. 519 (1967), this Court reviewed the status of the CCPA and declared its decisions "final and binding in the usual sense." *Postum* was declared to have "no vitality in the present setting." And, as the *Flavor Corporation* court noted, "[t]he rationale for *Morrell* expired with *Postum.*" *Flavor Corporation*, at 280-281, quoting *Brenner*, at 526, 527. Thus, the CCPA was no longer merely an "administrative arm" of the Patent Office; the *Flavor Corporation* court's ruling that CCPA findings were entitled to collateral estoppel effect was expressly based on its status in the administrative scheme devised by Congress. Certainly, that ruling

was consistent with the concerns addressed in *Utah Construction, supra.*

Petitioner, overlooking the expressed rationale of *Flavor Corporation,* urges that its ruling as to the CCPA should control the instant question as it relates to the TTAB. But, as alluded to in footnote 2 of the opinion below (App. C., p. 74a), the TTAB's position in the administrative structure for the federal registration of trademarks is dramatically different from that of the CCPA in the *Flavor Corporation* case.

Under 15 U.S.C. §1071(b), a party who is dissatisfied with the TTAB's decision has the option of seeking a trial *de novo* in federal district court, in which "the record in the Patent Office shall be admitted on motion of any party . . . without prejudice to the right of any party to take further testimony." In that case, "[t]he testimony and exhibits of the record in the Patent Office, when admitted, shall have the same effect as if originally taken and produced in the suit." 15 U.S.C. §1071(b)(3).

Such affirmatively indicates Congress's intent *not* to give preclusive effect to the findings of the TTAB. *American Heritage Life Insurance Co. v. Heritage Life Insurance Co.*, 494 F.2d 3, 9 (5th Cir. 1974). Unlike the situation in *Utah Construction, supra,* here Congress did not intend for the TTAB to be *the* ultimate finder of fact; in marked contrast to the *Utah Construction* statute, here Congress included in the statute a provision that, if anything, *discourages* the parties from making a complete presentation to the TTAB. Unlike the situations in *Flavor Corporation* or *Brenner, supra,* Congress did not intend that the TTAB's decisions be treated as "final and binding in the usual sense." As was the CCPA prior to the statutory changes mentioned in *Flavor Corporation,* the TTAB is in Congress's scheme merely an administrative arm, and not an adjudicatory body with the power to bind others with its decisions.

The court of appeals below, as did this Court in *Utah Construction* and as did the Eighth Circuit in *Flavor Corporation,*

recognized that the preclusive effect of an administrative decision could be prescribed or limited by Congress. (App. C., p. 72a-73a) The court cited *Alexander v. Gardner-Denver Co.*, 415 U.S. 36, 48-51 & n. 10 (1974), as an example of a congressional limitation of the preclusive effect of administrative decisions in an area where the administrative rights involved were intended to supplement, and not to supplant, other legal rights. Moreover, reasons of practicality may determine whether collateral estoppel effect should be given to an administrative ruling. *See, United States v. Stone & Downer*, 274 U.S. 225 (1927); *Grose v. Cohen*, 406 F.2d 823 (4th Cir. 1968).

In the case of a TTAB decision, both notions interact to weigh against according it preclusive effect. The federal trademark registration mechanism is just that: a system for the registration of trademarks. Granted, registration results in certain benefits to the registrant. But it has long been firmly established that those benefits are supplementary to, not in place of, the trademark owner's common law rights. *Wrist-Rocket Manufacturing Company v. Saunders Archery Company*, 578 F.2d 727 (8th Cir. 1978). Indeed, prior to the statutory changes that gave rise to the *Brenner* decision, the CCPA itself acknowledged that

> [t]he function of the Commissioner of Patents in administering the Trade-Mark Act is administrative in character. It is derived wholly from the statute, and he is governed by its terms. The jurisdiction of this court in the cases appealed from the Commissioner is likewise purely statutory and we are limited in the same way that the Commissioner is limited. *Vide Postum Cereal Co. v. California Fig Nut Co.*, 272 U.S. 693, 698, 699, 47 S.Ct. 284, 71 L.Ed. 478.
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> The duty of the Commissioner and of this court on appeals from the Commissioner, in all cases, is simply to determine whether an application meets the statutory requirement so as to be entitled to registration. Registration being granted or refused leaves the parties in interest, with their rights and equities, under the common law, legally unaffected, except as they may be enforced under sections 16 and 17, 15 U.S.C. §§96 and 97.

> *Morrell, supra* at 235, quoting *Goodrich Co. v. Kenilworth Mfg. Co., Inc.*, Cust. & Pat. App., 40 F.2d 121, 122.

Thus, petitioner's charge that respondent "blatantly" continued to use his mark after the TTAB decision (Pet., p. 15) is wholly impertinent. Any number of practical reasons, economics foremost among them, might lead an applicant with his common law rights already in hand to abandon the quest for the additional benefits of registration at, to use petitioner's term, the "interim" administrative level. Indeed, Congress's intent that the TTAB's decisions not be accorded preclusive effect is consistent with the notion that the trademark registration process does not implicate or supplant an applicant's common law rights in the first instance.

And, for both policy and practical reasons, petitioner's view that the TTAB decision entitled it to summary judgment in a subsequent infringement action is *inconsistent* with that notion. If that were the case, an applicant who merely seeks the supplemental benefits of registration would place his heretofore separate common law rights at risk by the very act of applying. The public benefit of order and uniformity furnished by the trademark registration system would be diminished by such an all-or-nothing proposition; so much would be at stake that only those with the economic wherewithal to litigate to the top of the administrative process could risk applying for registration.

In light of the clear Congressional intent that findings at the TTAB level are not final and conclusive, respondent's abandonment of the administrative process at that point was nothing more than an abandonment of his attempt to gain the supplemental benefits of having his trademark placed on the federal registry before that process reached a stage at which his other legal rights might be affected, i.e., a proceeding under 15 U.S.C. §1071.

Petitioner asserts that such a notion disregards the "import" of the TTAB and "cast[s] doubt upon its basic reason for existence." On the contrary, the court of appeals' view of the

TTAB's place in the trademark registration process is fully in accord with the board's import as reflected in 15 U.S.C. §1071 and as assessed under the principles described in *Utah Construction* and *Flavor Corporation*.

Moreover, the court of appeals did not ignore the practical effect of the TTAB's expertise in trademark matters. The court noted that "Fifth and Eleventh Circuit precedent establishes that the findings of the TTAB will control in a subsequent infringement suit unless the contrary is established by evidence that, in character and amount, carries 'thorough conviction'[,]" citing *American Heritage Life Insurance Co., supra*, and *Aloe Creme Laboratories, Inc. v. Texas Pharmacal Co.*, 494 F.2d 72 (5th Cir. 1964). This augmented standard of proof, the court observed, "arises out of respect for the expertise of the TTAB." (App. C., pp. 78a-79a)[3]

The court of appeals' treatment of this question was fully consistent with the decision of this Court in *Utah Construction*, with the decision of the Eighth Circuit in *Flavor Corporation*, and with the Congressional intent behind the administrative scheme of which the TTAB is a part. It does not present an issue worthy of this Court's review.

QUESTION TWO

DOES A DISTRICT COURT VIOLATE THE RULE OF LAW SET BY THE SUPREME COURT IN *MORGAN V. DANIELS, INFRA*, THAT A FINDING OF CONFUSING SIMILARITY OF MARKS BY THE PATENT OFFICE MUST BE ACCEPTED AS CONTROLLING ABSENT THE CONTRARY ESTABLISHED BY EVIDENCE, WHICH IN CHARACTER AND AMOUNT CARRIES THOROUGH CONVICTION, WHEN THE DISTRICT COURT REFUSES TO ALLOW ENTRY OF THE ADMINISTRATIVE DECISION OR ANY REFERENCE TO THE SAME DURING TRIAL?

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[3] The court of appeals was also satisfied that the district court had applied the correct standard of proof. (App. C., pp. 79a-81a)

In other words, petitioner asks whether the district court rendered an erroneous evidentiary ruling when it precluded reference to or introduction of the TTAB proceeding before the jury. Respondent submits that, in the context of this case, that question is not worthy of this Court's review; indeed, it does not arise from the decision of the court of appeals.

The court of appeals noted that petitioner challenged the district court's exclusion of references to the TTAB proceedings " 'in the presence of the jury.' " But the court expressly declined to pass on the propriety of the ruling because the trial court rescinded it after the jury was discharged. "Explaining that the exclusion of the TTAB proceedings had been for the benefit of the jury, the [district] court stated that re-argument of the issue would not be necessary and that the material could come in." (App. C., p. 75a) [Petitioner's contrary claim that the district court "reasserted its ruling" (Pet., p. 20) is simply incorrect.]

The court of appeals then noted three important facts: first, that the subject evidentiary ruling merely excluded references to the TTAB proceeding, but left petitioner free to present the same evidence the TTAB had considered; second, that petitioner never proffered the material it wished to introduce, and after the ruling was rescinded petitioner failed to avail itself of numerous opportunities to present evidence of the TTAB proceedings; third, as conceded by petitioner, the trial court actually reviewed the findings of the TTAB before making its ruling. (App. C., pp. 75a-77a)

Thus, the court of appeals ruled, any error in the challenged evidentiary ruling was harmless, and "the choices of counsel rather than the rulings of court were responsible for the exclusion." (App. C., p. 77a)

The court of appeals' application of well-established rules of appellate review hardly qualifies as a departure from the rulings of either this Court or another circuit court. There is no decisional conflict in this regard, and no reason for this Court to expend its much-demanded energies on its account.

But with respect to the first question presented in the pending petition, it is significant to note the primary reason petitioner asserts for its argument that TTAB decisions must be admitted to evidence. That is, that *Morgan v. Daniels*, 153 U.S. 120 (1894), requires that a TTAB finding as to likelihood of confusion of marks must be accepted as controlling unless the contrary is established by evidence which in character and amount carries thorough conviction. Of course, as petitioner asserts, such would seem to contemplate the admission of the TTAB ruling into evidence. Concomitantly, such also contemplates the admission of evidence in *contradiction* of the TTAB ruling. In other words, a prior TTAB finding raises the standard of proof, but it does not have the preclusive effect of collateral estoppel.

Finally, petitioner's assertion that the court of appeals "erred by [its] substantial failure to consider" the TTAB ruling and thus, impliedly, failed to give it sufficient weight under the "thorough conviction" standard, is flatly disproven by the court of appeals' opinion. (App. C., pp. 77a-81a, 82a, 88a, 90a, 95a, 98a, 102a)

CONCLUSION

Fully consistent with established principles governing the degree of deference to be paid to the expertise of administrative bodies, the court below noted that one who seeks to overcome a TTAB ruling must meet an augmented standard of proof, that is, by evidence which in character and amount carries thorough conviction.

At the same time, fully consistent with established principles governing the final judicial authority vel non of administrative bodies, and in light of the TTAB's position in the administrative scheme for the registration of trademarks, the court below recognized that the TTAB's rulings are not entitled to preclusive collateral estoppel effect.

The decision of the court of appeals below does not conflict with any decision of this Court or of any other circuit court of appeals. For this reason, the petition for writ of certiorari should be denied.

Respectfully submitted,

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